

Greater Tzaneen Municipality
Unaudited Financial statements
for the year ended 30 June 2020

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities

Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).

Greater Tzaneen Economic Development Agency (GTEDA) is a municipal entity performing the functions consistent with that of an entity.

The main business operations of the Municipality is to engage in local government activities which includes planning and promotion of integrated development planning, economic and environmental development and provision of the following services to the community.

General services: All types of services rendered by a municipality excluding the provision of housing to the community.

Electricity service: Electricity is bought in bulk from ESKOM and distributed to communities.

Waste management services: The collection and disposal of waste.

Water and sewer services: Greater Tzaneen Municipality acts as service provider for Mopani District Municipality with regards to water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

Jurisdiction within which the Municipality operates

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It extends from Haenertsburg in the west, to Rubbervale in the east, and just south of Modjadiskloof in the north, to Trichardtsdal in the South.

Executive committee

Mayor

Members of the Executive Committee

Councillor M.G. Mangena

Councillor M.G. Mangena

Councillor T.T. Maunatlala (Finance)

Councillor M.M. Letsoalo (Sports, Recreation, Arts and Culture)

Councillor G.E. Ntimbane (Infrastructure)

Councillor M.L. Hlangwana (Health, Environment and Social Development)

Councillor M.S. Tiba (Economic Development, Housing and Spatial Development Plan)

Councillor C. Machimana (Public Transport and Safety and Security)

Councillor N.J. Mbhalati (Corporate Gov. and Share Services)

Councillor D.J. Mmetle (Speaker)

Councillor C.S. Nhembo (Chief Whip)

Councillor M. Prinsloo (Exco)

Councillor D.O. Mafemela (Exco)

Councillor D.J. Mmetle (Speaker)

Councillor M.G. Mangena (Mayor)

Councillor C.S. Nhembo (Chief Whip)

Councillor M.M. Letsoalo

Councillor C. Machimana

Councillor T.T. Maunatlala

Councillor N.J. Mbhalati

Councillor G.E. Ntimbane

Councillor M. Prinsloo

Ordinary Councillors

Greater Tzaneen Municipality

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Councillor M.M. Sekhwela
Councillor M.S. Tiba
Councillor M.L. Hlangwane
Councillor M.S. Baloyi
Councillor J. Banyini
Councillor O.K. Banyini
Councillor P.W. Cronje
Councillor D.G. Kgafane
Councillor M.R. Kgatla
Councillor L.K. Lepulana
Councillor M.J. Maake
Councillor M.H. Mafokwane
Councillor M.C. Ramathwala
Councillor J.T. Makhubele
Councillor G.P. Makhubele
Councillor M.M. Makwala
Councillor S.C. Makwala
Councillor M.A. Makwala
Councillor M.M. Makwala
Councillor T.E. Malatji
Councillor G.M. Malatji
Councillor D.O. Molemela
Councillor S.M. Mapitja
Councillor S.P. Masetla
Councillor N.A. Maslia
Councillor N.P. Mathebula
Councillor M.M. Mathekga
Councillor T.L. Matita
Councillor N.G. Maunatlala
Councillor M.F. Mibhalati
Councillor T.J. Modintock
Councillor D.G. Mkhabele (MPAC Chairperson)
Councillor M.F. Mochabela
Councillor F.T. Mohlaba
Councillor S.N. Mohonone
Councillor M.J. Makgoloboto
Councillor M.C. Morwatshehla
Councillor T. Mpenyana
Councillor N.G. Mukansi
Councillor T.H. Mushwana
Councillor E.T. Ngobeni
Councillor S.E. Ngobeni
Councillor J.L. Ngobeni
Councillor M.C. Nkwashu
Councillor N. Nkwashu
Councillor M.E. Phakula
Councillor R.E. Pohl
Councillor M.L. Pudikabekwa
Councillor M.S. Rakganya
Councillor P.J. Ramodipa

Greater Tzaneen Municipality

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General Information

	Councillor S.B. Ramoshaba Councillor M.O. Raelane Councillor K.J. Rapatsa Councillor R.S. Rapitsi Councillor J.M. Ratopola Councillor C.T. Shisinga Councillor O. Sithole Councillor N.H. Zandamela Councillor M.R. Rikhotso Councillor P.P. Machethe
Grading of local authority	Grade 4: High Capacity
Chief Finance Officer (CFO)	Mikateko Palesa Makhubela
Accounting Officer	Bartholomew Serapelo Matlala
Registered office	38 Agatha Street Civic Center Tzaneen 0850
Business address	38 Agatha Street Civic Center Tzaneen 0850
Postal address	PO Box 24 Tzaneen 0850
Bankers	ABSA
Website address	www.tzaneen.gov.za
Audit committee	S.A.B. Ngobeni (Chairperson) J.M. Mabuza N.T. Mabunda J.M. Mofokeng N.S. Hoagane
Level of rounding	Rounding to the nearest Rand
Auditor	Auditor General of South Africa (AGSA) Polokwane Office Telephone number: 015 283 9338

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GTEDA	Greater Tzaneen Economic Development Agency
RAL	Roads Agency Limpopo
VAT	Value Added Tax

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the unaudited financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited financial statements and will be given unrestricted access to all financial records and related data.

The unaudited financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. Those controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminate, the Municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

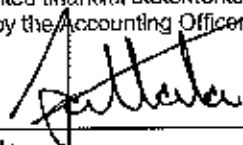
The Accounting Officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited financial statements are prepared on the basis that the Municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, the Municipality's external auditors are responsible for expressing an opinion on the financial statements.

The unaudited financial statements set out on pages 7 to 123, which have been prepared on the going concern basis, were approved by the Accounting Officer on 28 October 2020 and were signed by him:



B.S. Matlala
Municipal Manager

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2020.

1. Introduction

Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipal Area of Jurisdiction. It comprises a land area of approximately 3240 km, and extends from Haenertsburg in the West, to Rubbervale in the East, and just South of Modjadiskloof in the North, to Trichardsdal in the South.

The long-term goal of Greater Tzaneen Municipality is to ensure that the Municipality is financially sustainable, to stimulate economic growth and to improve the quality of life of all residents in the area of jurisdiction.

To achieve these goals, Council approved the 2019/2020 Budget on 30 May 2019. The Budget, which is informed by the service delivery needs of the community as captured in the Municipality's Integrated Development Plan, demonstrates the Municipality's commitment to improve efforts to limit non-priority spending and direct spending towards the Municipality's Electricity Network. The objectives of combatting electricity service interruptions are high on the Municipality's agenda and the short-term objectives are:

- The upgrading of the Municipality's Electricity Network to ensure the provision of an uninterrupted electricity service.
- Data cleaning and improvement of the Municipality's Revenue Collection.
- A strong administration to ensure a stable working environment through which future development can be established.
- The implementation of a revenue enhancement programme in support of revenue generation and the combatting of losses pertaining to electricity.

2. The effect of the COVID-19 pandemic

The economic climate in which South Africa currently finds itself in has seen the shrinking of National, Provincial and local budgets due to actions taken to implement measures to curb the COVID-19 pandemic and the accompanying nation-wide lockdown. The lockdown not only affected individuals negatively but also had a negative impact on the revenues of municipalities at a time that demands have increases.

The first task at hand after the announcement of the pandemic and nation-wide lockdown was the approval of an adjustment budget where our municipality had to align the resources at our disposal to meet the requirements of the COVID-19 pandemic. This had to be done to ensure that the fight against COVID-19 does not affect service delivery negatively.

The fact that the nation-wide lockdown was announced three months before year-end enabled the Municipality to accommodate the required resources through an adjustment budget. The Municipality therefore had no significant financial losses at 30 June 2020. Continued assessments will be performed to ensure that the COVID-19 demands are met with no or limited interruptions in service delivery.

The Municipality received an allocation of R 298 000 from National Treasury to assist with the response to the COVID-19 pandemic.

3. Operational responsibility

It is the responsibility of the Municipality to present the statement of financial position, statement of financial performance and cash flow statement for the year ended 30 June 2020 in accordance with applicable legislation which includes the standards of GRAP.

In an attempt to obtain a clean audit opinion for the 2019/2020 financial year the Municipality has institutionalised the concept of operation clean audit (OPCA) to the extent that weekly meetings are held by the Municipality's Audit Steering Committee to address previous audit findings and year-end activities.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

4. Review of operating results

The budget of Greater Tzaneen Municipality for the 2019/2020 financial year has been approved by Council on 30 May 2019 for implementation on 1 July 2019, and the adjusted budgets for the financial year were approved as follows:

- 5 November 2019: Special adjustment budget
- 28 February 2020 : Adjustment budget
- 31 May 2020 : Special adjustment budget

Sustainability of the municipalities finances remains a key priority during the 2019/2020 financial year to ensure that service delivery continues in a sustainable manner and that the strategic objectives of the Municipality were met. The special adjustment budget approved during November 2019 was drafted to ensure that a funded budget is approved for the 2019/2020 financial year.

This review highlights the Municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full details appear in the annual financial statements.

Overview of the Municipality's results:

The Municipality's overall actual operating results against the corresponding approved budget figures are scheduled in Appendix E1 of the annual financial statements.

Statement of Financial Performance

The Statement of Financial Performance reflects a summary of income and expenditure items, while the segmental operating results per service are shown in appendix D of the annual financial statements. Over the past financial year the operating revenue increased from R 1 121 890 674 to R 1 274 427 231 while the operating expenditure decreased from R 1 199 204 388 to R 1 139 784 807.

The operating revenue is mostly generated from assessment rates, electricity sales and government grants and subsidiaries. Revenue from these items represent the following percentage of the total revenue:

- Assessment rates 9.1%
- Service charges 43.8%
- Government grants and subsidiaries 39.1%

The municipalities actual operating expenditure amounts to R 1 139 784 807 resulting in a surplus of R 130 984 258.

Employees remuneration as a percentage of the total expenditure, amounts to 27.6% whilst contribution to bad debt impairment provision is 4.8%. Depreciation and amortisation for the year represents 8.6% of the total expenditure, whilst repairs and maintenance of assets represent 2.2%. Expenditure on bulk electricity purchases ended on 34.4% of the total expenditure.

The actual expenditure amounts to R 1 139 784 807 compared to the budgeted amount of R 1 248 665 025.

The expenditure amount includes R 314 771 685 for salaries, R 25 605 606 for repairs and maintenance and R 392 274 281 for the purchase of bulk electricity.

The Municipality reported a net operating surplus of R 130 984 258 for the financial year under review, (2019 R (79 540 232)).

The main revenue sources of the Municipality are:

- Property rates;
- Service charges and
- Government grants and subsidies.

Whilst the highest expenditure items are:

- Bulk purchases;
- Employee related costs;
- General Expenditure
- Depreciation and amortisation;

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

Statement of Financial Position

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owed by consumers. The outstanding consumer debtors as at 30 June 2020 amounts to R 543 518 382 (2019: R 470 918 091) of which R 404 528 331 (2019: R 368 974 237) were provided for impairment. Debtors to the amount of R 4 779 425 (2019: R -) have been written off as uncollectable. The total provision for impairment amounts to R 404 528 331 (2019: R 368 974 237).

Unspent conditional grants and receipts increased from R 5 083 273 in the previous financial year to R 5 455 827 in the current financial year with a 99.90% spending on the Municipal Infrastructure Grant.

The outstanding loans which have been taken-up to finance capital projects amount to R 133 292 875 (2019: R 133 455 817) and the detail of this amount is contained in Note 14 and Appendix A.

5. Accounting officers interest in contracts

Employees of the Municipality, including the Accounting Officer completed a declaration of interest in contracts and other related transactions to comply with legislative requirements.

6. Corporate Governance

The Accounting Officer is committed to ensure business integrity, transparency and professionalism in all his activities and to comply with the Code of Corporate Practices and conduct laid out in the King Report on Corporate Governance.

7. Remuneration

7.1 Employees

Employees are remunerated according to the salary and wage collective agreement dated 29 June 2018 for the period 2017/2018 to 2020/2021.

7.2 Councilors

The upper limits of the remuneration of the councilors are determined in terms of government notice issued by the Minister of Co-operative Governance and Traditional Affairs as required by the remunerations of public officers' bearers Act No. 20 of 1998. Our Municipality complies with these legislative requirements.

8. Audit and Risk Committee

The members of the audit committee are independent audit committee members which met on a regular basis during the financial year to review matters necessary to fulfil its role. These members have been appointed by the Municipality in terms of section 186 of the Municipal Finance Management Act.

9. Compliance

9.1 Internal Audit

The Municipality established an internal audit function in terms of section 165 of the Municipal Finance Management Act 2003. The unit reports to the Accounting Officer administratively and functionally to the audit committee.

9.2 Risk management

A risk and compliance management unit has been established in terms of Chapter 8 Section 62, of the Municipal Finance Management Act. The unit reports administratively to the Accounting Officer and functionally to the risk committee.

10. Going concern

The unaudited financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Due to the provision on financial and other resources on a special adjustment budget as well as in future budgets to contain the COVID-19 pandemic effectively, our Municipality had no significant financial loss at 30 June 2020.

Continued assessments will be performed to ensure that the COVID-19 pandemic demands are met without interruptions in service delivery.

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Accounting Officer's Report

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

11. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

12. Accounting Officer

Name	Nationality
BS Matlala	South African

13. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	22 331 781	18 162 335
Operating lease asset	6	50 769	89 491
Receivables from exchange transactions	7	314 159 268	274 098 948
Receivables from non-exchange transactions	5	54 394 591	40 067 189
Consumer debtors	8	116 024 317	82 703 229
Cash and cash equivalents	9	70 215 787	42 033 011
		577 176 493	457 134 203
Non-Current Assets			
Investment property	10	181 586 803	181 746 803
Property, plant and equipment	11	1 486 773 372	1 456 773 249
Intangible assets	12	744 470	1 135 137
Heritage assets	13	200 958	195 000
Other financial assets	4	21 113 389	31 525 083
		1 690 419 002	1 671 375 272
Total Assets		2 267 595 495	2 128 509 475
Liabilities			
Current Liabilities			
Other financial liabilities	14	9 851 649	22 810 651
Finance lease obligation	15	3 886 987	2 978 540
Payables from exchange transactions	16	234 925 375	228 072 277
VAT payable	17	43 987 929	39 744 095
Consumer deposits	18	27 397 000	27 068 007
Unspent conditional grants and receipts	19	5 455 827	5 083 273
Provisions	20	970 477	948 670
		326 475 224	326 706 513
Non-Current Liabilities			
Other financial liabilities	14	123 441 226	110 845 166
Finance lease obligation	15	3 925 236	3 551 484
Retirement benefit obligation	21	76 128 000	81 474 678
Provisions	20	5 598 088	5 089 171
		209 092 550	200 760 499
Total Liabilities		535 567 774	527 466 012
Net Assets		1 732 027 721	1 601 043 463
Accumulated surplus		1 732 027 721	1 601 043 463

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand

	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	557 909 399	486 306 412
Rental of facilities and equipment		1 152 233	2 132 696
Interest received (trading)	55	19 234 067	17 826 053
Agency services		9 118 576	9 254 073
Licenses and permits		1 231 992	1 020 674
Other income	23	27 795 527	27 801 807
Interest received - investment	55	8 677 865	9 615 814
Total revenue from exchange transactions		625 119 659	553 757 529
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	114 746 520	109 160 412
Property rates - penalties imposed	24	10 883 012	10 022 809
Transfer revenue			
Government grants & subsidies	25	498 182 710	432 583 934
Public contributions and donations	58	80 000	110 987
Fines, penalties and forfeits	56	25 415 330	16 255 003
Total revenue from non-exchange transactions		649 307 572	568 133 145
Total revenue	27	1 274 427 231	1 121 890 674
Expenditure			
Employee related costs	28	314 771 685	295 232 455
Remuneration of councillors	29	26 976 534	26 136 302
Depreciation and amortisation	59	98 378 043	128 241 991
Impairment loss/ reversal of impairments	31	9 236 673	4 399 272
Finance costs	32	14 906 809	11 973 760
Debt impairment	60	54 511 001	123 718 683
Collection costs		658 501	600 321
Repairs and maintenance	33	25 605 606	41 909 821
Bulk purchases	34	392 274 281	348 443 869
Contracted services	35	58 906 462	50 076 239
Transfers and subsidies	36	34 772 798	50 297 361
General expenses	37	108 786 414	118 174 314
Total expenditure		1 139 784 807	1 199 204 388
Operating surplus (deficit)		134 642 424	(77 313 714)
Loss on disposal/ write off of assets	57	(3 608 166)	(2 226 518)
Fair value adjustments	54	(50 000)	-
		(3 658 166)	(2 226 518)
Surplus (deficit) for the year		130 984 258	(79 540 232)

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		1 669 672 182	1 669 672 182
Adjustments			
Prior year adjustments	62	10 911 513	10 911 513
Balance at 01 July 2018 as restated*		1 680 583 695	1 680 583 695
Changes in net assets			
Surplus for the year		(79 540 232)	(79 540 232)
Total changes		(79 540 232)	(79 540 232)
Opening balance as previously reported		1 602 561 564	1 602 561 564
Adjustments			
Prior year adjustments	62	(1 518 101)	(1 518 101)
Restated* Balance at 01 July 2019 as restated*		1 601 043 463	1 601 043 463
Changes in net assets			
Surplus for the year		130 984 258	130 984 258
Total changes		130 984 258	130 984 258
Balance at 30 June 2020		1 732 027 721	1 732 027 721
Note(s)			

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Taxation		125 629 532	119 183 221
Sale of goods and services		543 080 386	541 419 341
Grants		509 723 192	481 305 927
Interest income		8 677 865	9 615 814
		<u>1 187 090 975</u>	<u>1 151 524 303</u>
Payments			
Employee costs		(347 094 887)	(323 715 802)
Suppliers		(667 709 137)	(707 424 036)
Finance costs		(13 571 388)	(10 961 350)
Transfer of property, plant and equipment		34 036 003	64 509 821
		<u>(994 339 429)</u>	<u>(977 591 167)</u>
Net cash flows from operating activities	38	<u>192 751 546</u>	<u>173 933 136</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(174 556 001)	(169 639 938)
Proceeds on disposal of property, plant and equipment	11	-	676 891
Purchase of other intangible assets	12	(202 341)	(154 938)
Purchases of heritage assets	13	(5 958)	-
Movement of financial assets		10 411 684	(4 637 684)
Net cash flows from investing activities		<u>(164 352 616)</u>	<u>(173 755 669)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(162 942)	30 274 238
Finance lease payments		(53 232)	4 090 641
Net cash flows from financing activities		<u>(216 174)</u>	<u>34 364 879</u>
Net increase/(decrease) in cash and cash equivalents		28 182 756	34 542 346
Cash and cash equivalents at the beginning of the year		42 033 011	7 490 665
Cash and cash equivalents at the end of the year	9	<u>70 215 767</u>	<u>42 033 011</u>

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	615 202 657	(7 000 000)	608 202 657	557 909 399	(50 293 258)	Note 53
Rental of facilities and equipment	1 972 100	-	1 972 100	1 152 233	(819 867)	Note 53
Interest received - outstanding receivables	17 000 000	-	17 000 000	19 234 067	2 234 067	Note 53
Income from agency services	53 664 291	-	53 664 291	9 118 578	(44 545 715)	Note 53
Licences and permits	817 000	-	817 000	1 231 982	414 982	Note 53
Other income	6 968 123	-	6 968 123	27 795 527	20 827 404	Note 53
Interest received - external investment	4 301 000	-	4 301 000	8 677 865	4 376 865	Note 53
Total revenue from exchange transactions	699 926 171	(7 000 000)	692 926 171	625 119 659	(67 806 512)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	104 000 000	-	104 000 000	114 746 520	10 746 520	Note 53
Property rates - penalties imposed	8 400 000	-	8 400 000	10 883 012	2 483 012	Note 53
Transfer revenue						
Government grants and subsidies	505 850 000	16 331 730	522 181 730	498 182 710	(23 999 020)	Note 53
Public contributions and donations	-	-	-	80 000	80 000	Note 53
Fines	38 501 136	-	38 501 136	25 415 330	(13 085 806)	Note 53
Total revenue from non-exchange transactions	656 751 136	16 331 730	673 082 866	649 307 672	(23 775 294)	
Total revenue	1 356 676 307	9 331 730	1 366 008 037	1 274 427 231	(91 580 806)	
Expenditure						
Employee cost	(357 715 346)	26 458 437	(331 256 909)	(314 771 685)	16 485 224	Note 53
Remuneration of councillors	(28 302 991)	-	(28 302 991)	(26 976 534)	1 326 457	
Depreciation and amortisation	(134 113 513)	11 103 304	(123 010 209)	(98 378 043)	24 632 166	Note 53
Impairment of assets	-	(6 989 791)	(6 989 791)	(9 236 673)	(2 246 882)	Note 53
Finance costs	(14 658 314)	-	(14 658 314)	(14 906 809)	(248 495)	
Debt impairment	(72 600 000)	19 542 600	(53 057 400)	(54 511 001)	(1 453 601)	
Collection costs	(1 200 000)	730 000	(470 000)	(658 501)	(188 501)	Note 53
Repairs and maintenance	(58 543 643)	17 376 569	(41 167 074)	(25 605 606)	15 561 468	Note 53
Bulk purchases	(403 000 000)	-	(403 000 000)	(392 274 281)	10 725 719	
Contracted services	(73 691 882)	7 047 363	(66 644 519)	(58 906 462)	7 738 057	Note 53
Grants and subsidies paid	(36 021 812)	(3 788 918)	(39 810 730)	(34 772 798)	5 037 932	Note 53
General Expenses	(134 049 478)	(6 247 610)	(140 297 088)	(109 786 414)	31 510 674	Note 53
Total expenditure	(1 313 896 979)	65 231 954	(1 248 665 025)	(1 139 784 807)	108 880 218	
Operating surplus	42 779 328	74 563 684	117 343 012	134 642 424	17 299 412	
Gain (Loss) on disposal of assets	2 500 000	-	2 500 000	(3 608 188)	(6 108 188)	Note 53
Fair value adjustments	-	-	-	(50 000)	(50 000)	Note 53
	2 500 000	-	2 500 000	(3 658 188)	(6 158 188)	
Surplus before taxation	45 279 328	74 563 684	119 843 012	130 984 236	11 141 246	

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	45 279 328	74 563 684	119 843 012	130 984 258	11 141 246	

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	21 128 773	-	21 128 773	22 331 781	1 203 008	
Other financial assets	3 594 775	-	3 594 775	-	(3 594 775)	Note 53
Operating lease asset	154 761	-	154 761	50 769	(103 992)	Note 53
Receivables from exchange transactions	215 386 534	-	215 386 534	314 159 268	98 772 734	Note 53
Receivables from non-exchange transactions	82 089 294	-	82 089 294	54 394 591	(27 694 703)	Note 53
Consumer debtors	136 462 653	-	136 462 653	116 024 317	(20 438 336)	Note 53
Cash and cash equivalents	7 240 823	72 769 785	80 010 608	70 215 767	(9 794 841)	Note 53
	466 057 613	72 769 785	538 827 398	577 176 493	38 349 095	
Non-Current Assets						
Investment property	189 057 053	-	189 057 053	181 586 803	(7 470 250)	
Property, plant and equipment	1 631 635 737	-	1 631 635 737	1 486 773 372	(144 862 365)	
Intangible assets	1 416 824	-	1 416 824	744 470	(672 354)	Note 53
Heritage assets	200 155	-	200 155	200 958	803	
Other financial assets	33 878 623	-	33 878 623	21 113 399	(12 765 224)	Note 53
	1 856 188 392	-	1 856 188 392	1 690 419 002	(165 769 390)	
Total Assets	2 322 246 005	72 769 785	2 395 015 790	2 267 595 495	(127 420 295)	
Liabilities						
Current Liabilities						
Other financial liabilities	12 433 938	-	12 433 938	9 851 649	(2 582 289)	Note 53
Finance lease obligation	4 000 000	-	4 000 000	3 888 967	(111 033)	
Payables from exchange transactions	207 073 548	-	207 073 548	234 925 375	27 851 827	Note 53
VAT payable	37 821 747	-	37 821 747	43 987 929	6 166 182	Note 53
Consumer deposits	29 058 463	-	29 058 463	27 397 000	(1 661 463)	
Unspent conditional grants and receipts	-	-	-	5 455 827	5 455 827	Note 53
Provisions	500 815	-	500 815	970 477	469 662	Note 53
	290 888 511	-	290 888 511	326 475 224	35 586 713	
Non-Current Liabilities						
Other financial liabilities	100 386 811	-	100 386 811	123 441 226	23 054 415	Note 53
Finance lease obligation	8 951 000	-	8 951 000	3 925 236	(5 025 764)	Note 53
Retirement benefit obligation	80 785 264	-	80 785 264	76 128 000	(4 657 264)	
Provisions	5 598 089	-	5 598 089	5 598 088	(1)	
	195 721 164	-	195 721 164	209 092 550	13 371 386	
Total Liabilities	486 609 675	-	486 609 675	535 567 774	48 958 099	
Net Assets	1 835 636 330	72 769 785	1 908 406 115	1 732 027 721	(176 378 394)	

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 835 636 330	72 769 785	1 908 406 115	1 732 027 721	(176 378 394)	

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation revenue	101 160 000	-	101 160 000	125 629 532	24 469 532	Note 53
Sale of goods and services	628 272 611	(10 258 000)	618 014 611	543 060 386	(74 954 225)	
Grants	505 850 000	11 237 601	517 087 601	509 723 192	(7 364 409)	
Interest income	14 910 700	-	14 910 700	8 677 865	(6 232 835)	Note 53
	1 250 193 311	979 601	1 251 172 912	1 187 090 975	(64 081 937)	
Payments						
Employee costs	(357 715 346)	28 458 443	(331 256 903)	(347 094 897)	(15 837 994)	
Suppliers	(738 424 735)	31 139 806	(707 285 129)	(667 709 137)	39 575 992	
Finance costs	(14 658 314)	-	(14 658 314)	(13 571 398)	1 086 916	
Transfer of property, plant and equipment	-	-	-	34 036 003	34 036 003	Note 53
	(1 110 798 395)	57 598 049	(1 053 200 346)	(994 339 429)	58 860 917	
Net cash flows from operating activities	139 394 916	58 577 650	197 972 566	192 751 546	(5 221 020)	
Cash flows from investing activities						
Additions to property, plant and equipment	(137 084 850)	(15 883 000)	(152 967 850)	(174 556 001)	(21 588 151)	Note 53
Proceeds on disposal of assets	2 500 000	-	2 500 000	-	(2 500 000)	Note 53
Additions to intangible assets	-	-	-	(202 341)	(202 341)	Note 53
Purchase of heritage assets	-	-	-	(5 958)	(5 958)	
Movement of financial assets	(3 711 461)	(500 000)	(4 211 461)	10 411 684	14 623 145	Note 53
Net cash flows from investing activities	(138 296 311)	(16 383 000)	(154 679 311)	(164 352 616)	(9 673 305)	
Cash flows from financing activities						
Repayment of other financial liabilities	(3 815 228)	-	(3 815 228)	(162 942)	3 652 286	Note 53
Finance lease payments	(1 500 000)	-	(1 500 000)	(53 232)	1 446 768	Note 53
Net cash flows from financing activities	(5 315 228)	-	(5 315 228)	(216 174)	5 099 054	
Net increase/(decrease) in cash and cash equivalents	(4 216 623)	42 194 650	37 978 027	28 182 756	(9 795 271)	
Cash and cash equivalents at the beginning of the year	11 457 490	30 575 521	42 033 011	42 033 011	-	
Cash and cash equivalents at the end of the year	7 240 867	72 770 171	80 011 038	70 215 767	(9 795 271)	

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1. Basis of preparation

The unaudited financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited financial statements, are disclosed below.

1.1 Presentation currency

These unaudited financial statements are presented in South African Rand, which is the functional currency of the Municipality.

1.2 Rounding

All financial figures have been rounded off to the nearest Rand.

1.3 Going concern assumption

These unaudited financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the unaudited financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited financial statements. Significant judgements include:

Trade receivables and loans and receivables

The Municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Municipality for similar financial instruments.

Subsequent to initial measurement, investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date, determined by the external valuator.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The Municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefit or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.6 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
Infrastructure	Straight line	
• Roads and road furniture		10 - 30
• Bridges, Culverts and Gabions		30
• Car Parks		20
• Airports		10 - 20
• Traffic Lights		20
• Electricity :		
- Transformers, Meters & Reticulation Networks		10 - 65
- Substations & switchgears		15 - 40
- Other Electricity Components		10 - 40
• Water		10 - 20
• Refuse Sites		15 - 30
• Buildings		30
• Security Fencing and Lighting		10 - 30
Community Assets	Straight line	
• Parks Improvements		30
• Community Buildings		30
• Recreational facilities		20
Other Assets	Straight line	
• Buildings		30
• Specialist vehicles		20
• Other vehicles		5 - 7
• Office equipment		3 - 10
• Furniture and fittings		3 - 10
• Bins and containers		5 - 10
• Plant and equipment		5 - 15
• Emergency and Health Equipment		5 - 10
• Security Access and Control		5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Municipality assesses at each reporting date whether there is any indication that the Municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.6 Property, plant and equipment (continued)

Assets which the Municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The Municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality; and
- the cost or fair value of the asset can be measured reliably.

The Municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12)).

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No asset lives are allocated.

Recognition

The Municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The Municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the Municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The Municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

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Notes to the Financial Statements: Accounting Policies

1.9 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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1.9 Financial Instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Greater Tzaneen Municipality

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Notes to the Financial Statements: Accounting Policies

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The Municipality's expenditure pattern must be structured in line with the available cash resources.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Greater Tzaneen Municipality

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Notes to the Financial Statements: Accounting Policies

1.9 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax (where applicable) relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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Notes to the Financial Statements: Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the Municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Consumable and stands inventories consist of work in progress, consumables and finished goods. Inventory is measured at lower of cost, or net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at cost.

The cost of consumable inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow-moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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Notes to the Financial Statements: Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the Municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the Municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Greater Tzaneen Municipality

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Notes to the Financial Statements: Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

Greater Tzaneen Municipality

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Notes to the Financial Statements: Accounting Policies

1.12 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Greater Tzaneen Municipality

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Notes to the Financial Statements: Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an Municipality after deducting all of its liabilities.

1.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employee render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employee render the related service.

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Notes to the Financial Statements: Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are benefits (other than termination benefits) which a Municipality pays fixed contributions into a separate Municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to the employee services in the current and prior periods.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.16 Provisions and contingencies

Provisions are recognised when:

- the Municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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Notes to the Financial Statements: Accounting Policies

1.16 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of changes is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transaction refers to transaction where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Resources arising from taxes satisfy the definition of an asset when the Municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The Municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Where the Municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Departmental information

A departmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendixes C and D. The Municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Departmental information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The unaudited financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.27 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements: Accounting Policies

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Value Added Tax (VAT)

The Municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can be claimed as and when payments are made.

1.30 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Notes to the Unaudited Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality's accounting periods beginning on or after 01 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards

Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as "an entity") that meet the criteria to apply IFRS Standards as outlined in the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

Entities that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction, other event or condition (hereafter referred to as "formulating an accounting policy") using other sources. When formulating an accounting policy in the absence of an IFRS Standard, the municipality needs to consider its users and their information needs. Users of financial statements prepared using the IFRS Standards are interested in information on the return on their investments, and/or the return of their investments, and to make decisions about providing resources to the municipality.

The objective of this Directive is to explain when, and in what circumstances, an municipality may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions.

The effective date of the standard is 01 April 2021.

The impact of this standard is currently being assessed.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
3. Inventories		
Consumable stores	16 911 781	12 742 335
Stands	5 420 000	5 420 000
	22 331 781	18 162 335

The carrying value of inventories is disclosed at lower of cost or net realisable value.

Inventory pledged as security

No inventory was pledged as security for any financial liability.

4. Other financial assets

At amortised cost		
Fixed deposits - listed	21 113 399	31 525 083
Non-current assets		
At amortised cost	21 113 399	31 525 083
Financial assets at amortised cost		
Council's valuation of listed investments		
Liberty Group Limited	-	14 136 980
Standard Bank	21 113 399	17 388 103
	21 113 399	31 525 083

Fair value of investments are at book value as at 30 June 2020.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above.

A fixed deposit of R 21 113 399 has been made with Standard Bank of South Africa to repay a loan of R 30 000 000 on maturity date.

The fixed deposit of R 15 000 000 with Liberty Group Limited was used to repay a loan stock of R 15 000 000 taken up from ABSA.

Loans to staff and the public

To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
5. Receivables from non-exchange transactions		
Net balance		
Fines	31 428 857	20 826 564
Consumer debtors - Rates (Note 8)	22 965 734	19 240 625
	54 394 591	40 067 189
5.1) Fines		
Reconciliation of traffic fines		
Opening balance	148 757 491	135 030 576
Prior period corrections	-	3 000
New fines issued	25 167 500	33 076 650
Less: Fines withdrawn	(395 555)	(17 378 456)
Less: Fines paid	(1 158 855)	(1 974 279)
Less: Fines expired or cancelled	(56 525 010)	-
	115 845 571	148 757 491
Less: Provision for impairment	(84 416 714)	(127 930 927)
Net outstanding fines receivable	31 428 857	20 826 564
Reconciliation of provision for impairment of traffic fines		
Less: provision for impairment		
Opening balance	127 930 927	91 141 550
Additionally provided	13 010 797	36 789 377
Less: Fines reduced or cancelled	(56 525 010)	-
	84 416 714	127 930 927

The 'Receivables from non-exchange transactions' 2019 comparative amount of R40million has been restated from R36million. Refer to Note 62.

Pledged as security

No receivables from non-exchanged transactions has been pledged as security for any financial liability.

Receivables from non-exchange transactions

The Accounting Standard Board amended GRAP 1 applying the Probability Test on the Initial Recognition of Revenue to include revenue from non- exchange transactions. This amendment is applicable to municipalities from 1 July 2013. GRAP 1 indicates that entities should not consider the probability of non- payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

Fine revenue of all traffic fines issued during the current year amounted to R 24 771 945 (2019: R 15 701 194). The outstanding fines were assessed for impairment based on the payment history of fines issued and measures put in place to recover the outstanding amount.

The recovery of traffic fines is a protracted process due to the administrative and court procedures.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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Credit quality of receivables from non-exchange transactions

Traffic fines are payable as determined by the fine. The credit period granted is considered to be consistent with the established practices and legislation.

The Municipality's historical experience in collection of traffic fines fall within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables from non-exchange transactions.

5.2) Consumer debtors - rates

Reconciliation of consumer debtors - rates

Gross balance	222 344 165	189 892 185
Less: Allowance for impairment	(199 378 431)	(170 651 560)
Net balance	22 965 734	19 240 625

Consumer debtors - rates comparative figures have been reclassified to comply with GRAP108. Refer to Note 62.

Consumer debtors - rates pledged as security

No portion of accounts receivables was pledged as security for any financial liabilities.

Credit quality of consumer debtors - rates

The credit quality of consumer debtors - rates that are neither past nor impaired can be assessed by reference to historical information about counterparty default rates:

Consumer debtors - rates are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors - rates are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's consumer debtors.

6. Operating lease asset (accrual)

Current assets	50 769	69 491
Municipality as lessor: Future minimum lease repayments receivable		
Less than one year	44 819	42 878
Between one year and five years	59 217	102 265
More than five years	106 605	108 376
	210 641	253 519

The current 'assets' 2019 comparative amount of R 69 491 has been restated from R 152 382 (see note 62).

Operating leases relate to property owned by the Municipality with lease terms of between one (1) and twenty (20) years, with an option to extend the lease. The lessee does not have an option to purchase the property at the expiry of the lease period. The properties are maintained by the tenant, at their cost.

The Municipality has operating lease agreements for the following classes of assets which are only significant collectively.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<ul style="list-style-type: none"> • Municipal buildings • Vacant land 		

Operating lease income and expenditure have been recognised on a straight-line basis over the lease term. The effect of accounting for operating leases on the straight-line basis had the above effect.

No restrictions have been imposed on the Municipality in terms of the operating lease agreements

7. Receivables from exchange transactions

Trade debtors	305 910 885	273 458 755
Other receivables	40 960 395	33 148 138
Bursary loans	341 350	692 742
	347 212 630	307 299 635
Provision for impairment of receivables	(33 053 362)	(33 200 687)
	314 159 268	274 098 948

Reconciliation of provision for impairment of trade and other receivables

Opening balance	33 200 687	26 260 544
Provision for impairment	1 166 682	6 940 143
Amounts written off as uncollectible	(1 314 007)	-
	33 053 362	33 200 687

The 'Receivables from exchange transactions' 2019 comparative amount of R274million has been restated from R261million. Refer to Note 62.

The impairment allowance mainly represents the outstanding amounts due to the Municipality in respect of indigent consumables, rental hawker stalls, private dumping, etc.

Credit quality of receivables from exchange transactions

Trade and other debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivable on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to other receivables are limited due to the Municipality's large number of customers. the Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

8. Consumer debtors

Gross balances

Rates	222 344 165	189 892 185
Electricity	227 306 093	199 197 687
Refuse	93 868 124	81 828 219
	543 518 382	470 918 091

Less: Allowance for impairment

Rates	(199 378 431)	(170 651 580)
Electricity	(130 293 638)	(128 114 016)
Refuse	(74 856 262)	(70 208 661)
	(404 528 331)	(368 974 237)

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Net balance		
Rates	22 965 734	19 240 625
Electricity	97 012 455	71 083 671
Refuse	19 011 862	11 619 558
	138 990 051	101 943 854
Included in above are receivables from exchange transactions		
Electricity	97 012 455	71 083 671
Refuse	19 011 862	11 619 558
	116 024 317	82 703 229
Included in above are receivables from non-exchange transactions (taxes and transfers)		
Rates (Note 5)	22 965 734	19 240 625
	116 024 317	82 703 229
Net balance excluding statutory receivables (rates)		
	116 024 317	82 703 229
The transaction values of the statutory receivables (rates) are included under note 5, Receivables from non-exchange transactions.		
The 'Consumer Debtors' 2019 comparative amount of R82.7million has been restated from R101,9million. Refer to Note 62.		
Consumer debtors ageing		
Rates		
Current (0 -30 days)	10 679 256	9 619 270
31 - 60 days	6 089 854	5 025 903
61 - 90 days	4 978 668	4 243 682
91 - 120 days	4 669 617	3 970 083
121 - and older	195 946 770	167 033 247
	222 344 165	189 892 185
Electricity		
Current (0 -30 days)	42 926 975	45 308 917
31 - 60 days	16 681 414	6 204 859
61 - 90 days	13 377 902	9 538 695
91 - 120 days	6 069 764	3 265 273
121 - 365 and older	148 250 038	134 879 943
	227 306 093	199 197 687
Refuse		
Current (0 -30 days)	3 252 332	3 430 382
31 - 60 days	2 000 466	2 010 906
61 - 90 days	2 020 877	1 713 103
91 - 120 days	1 879 670	1 436 272
121 - and older	84 714 779	73 237 546
	93 868 124	81 828 219
Total	543 518 382	470 918 091
Summary of debtors by customer classification		

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Residential property		
Current (0 -30 days)	20 089 964	17 805 834
31 - 60 days	9 017 936	6 692 329
61 - 90 days	9 626 249	8 201 227
91 - 120 days	6 193 470	4 418 310
121 - days and older	257 505 955	239 436 774
	302 433 574	274 554 474
Industrial/ commercial		
Current (0 -30 days)	42 039 044	35 030 580
31 - 60 days	6 869 551	3 894 378
61 - 90 days	5 790 935	7 035 623
91 - 120 days	4 094 537	1 923 930
121 days and older	131 446 064	123 808 710
	190 240 131	171 693 221
National and provincial government		
Current (0 -30 days)	1 747 608	1 434 382
31 - 60 days	994 789	742 038
61 - 90 days	898 872	634 872
91 - 120 days	549 052	278 770
121 days and older	15 352 503	13 234 796
	19 542 824	16 324 858
Other		
Current (0 -30 days)	3 252 354	2 478 404
31 - 60 days	3 434 713	590 477
61 - 90 days	2 138 592	436 114
91 - 120 days	2 270 504	928 030
121 days and older	20 205 690	3 912 513
	31 301 853	8 345 538
Total	543 518 382	470 918 091

Consumer debtors pledged as security

No portion of accounts receivables was pledged as security for any financial liabilities

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor impaired can be assessed by reference to historical information about counterparty default rates:

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the Municipality's large number of customers, the Municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's consumer debtors.

Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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Consumer debtors

No security is held for any of the accounts receivable.

Consumer debtors impaired

As of 30 June 2020, debtors including rates of R 404 528 331 (2019: R 368 974 237) were impaired and provided for.

An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor may enter bankruptcy and default of delinquency in payments (more than 90 days overdue) are considered indicators that the consumer is impaired. An amount of R 4 779 425 (2019: R -) was written off during the year as uncollectable.

The amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking into account of any collateral held or other credit enhancements.

The impact of the COVID-19 pandemic on councils consumer debtors during the current financial year was assessed and no significant financial loss needs to be provided for. Continuous assessments will be performed.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	368 974 237	288 985 074
Allowance for impairment	40 333 520	79 989 163
Amounts written off as uncollectable	(4 779 425)	-
Total debtors	404 528 332	368 974 237
Less: Consumer debtors rates (Disclosed under note 5)	(199 378 431)	(170 651 560)
Total Consumer Debtors	205 149 901	198 322 677

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	70 215 767	42 033 011
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No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

The balance of unspent conditional grants as per Note 19 can only be used for the purpose as set out in the different grant conditions and is not available to the Municipality to use in its normal business operations.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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The Municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Consolidated cash book balance	-	-	-	70 215 767	42 033 011	7 490 665
ABSA Bank Cheque Account number 126 085 0527 Primary						
ABSA BANK - Cheque Account number 404 896 4222	13 862 285	7 714 245	6 996 425	-	-	-
ABSA BANK - Cheque Account number 908 197 4990	2 129 691	245 207	487 580	-	-	-
ABSA BANK - Liquidity plus account - 9312433930(MIG)	2 152 224	5 141 834	4 692	-	-	-
ABSA BANK - Liquidity plus account - 9312434237 (INEP)	52 071 587	28 931 725	2 968	-	-	-
ABSA BANK - Cheque account number-405 144 4332	-	-	-	-	-	-
ABSA BANK -Call account number-409 887 3649	-	-	-	-	-	-
Total	70 215 767	42 033 011	7 490 665	70 215 767	42 033 011	7 490 665

An amount of R 5 455 827 (2019: R 5 083 273) of the unspent conditional grants is included in cash and cash equivalents.

Credit quality of Cash and cash equivalents

The credit quality of cash and cash equivalents that are neither past due nor impaired can be assessed by reference to the Municipality's going concern ratio's which include current ratio, debt ratio and net income to net sales ratio.

10. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	181 586 803	-	181 586 803	181 746 803	-	181 746 803

Reconciliation of investment property - 2020

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	181 746 803	(110 000)	(50 000)	181 586 803

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	181 746 803	181 746 803

The 2018/2019 comparative amount of R 181 746 803 on investment property has been restated from R 181 377 053 (see note 62).

Greater Tzaneen Municipality

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Pledged as security

No investment properties was pledged as security for liabilities.

The Municipality generated income from rental of investment properties of R 110 755 monthly on average (2019: R140 510).

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The Greater Tzaneen Municipal valuations are based on the valuation roll which is reviewed every four years. The last valuation roll came into effect on 1 July 2017. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

11. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	117 540 197	-	117 540 197	117 540 197	-	117 540 197
Infrastructure	2 306 776 122	(1 263 196 496)	1 043 577 626	2 282 925 033	(1 177 106 002)	1 105 819 031
Community	198 922 765	(50 222 103)	148 700 662	198 842 765	(43 222 970)	155 619 795
Work in progress	153 232 278	-	153 232 278	53 854 890	-	53 854 890
Other assets	68 976 606	(53 453 661)	15 522 945	71 498 139	(55 122 837)	16 375 302
Leased assets	20 181 593	(11 981 929)	8 199 664	15 928 415	(8 364 381)	7 564 034
Total	2 865 629 561	(1 378 856 189)	1 486 773 372	2 740 589 439	(1 283 816 190)	1 456 773 249

Greater Tzaneen Municipality

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Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Write-Offs	Transfers from WIP Capitalised	Depreciation	Impairment loss	Total
Land	117 540 197	-	-	-	-	-	117 540 197
Infrastructure	1 105 819 031	32 200 845	(2 487 188)	-	(82 718 309)	(9 236 673)	1 043 577 826
Community	155 619 795	80 001	(374)	-	(6 998 780)	-	148 700 662
Work in progress	53 854 890	134 250 492	(846 090)	(34 036 004)	-	-	153 232 278
Other assets	16 375 302	3 478 933	(151 989)	-	(4 179 302)	-	16 622 945
Leased assets	7 564 034	4 536 740	(12 528)	-	(3 888 584)	-	8 199 664
	1 466 773 249	174 556 001	(3 498 180)	(34 036 004)	(97 785 036)	(9 236 673)	1 486 773 372

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Write-Offs	Transfers from WIP Capitalised	Depreciation	Impairment loss	Total
Land	117 540 197	-	-	-	-	-	117 540 197
Infrastructure	1 186 867 011	39 329 274	(2 526 247)	-	(113 451 735)	(4 399 272)	1 105 819 031
Community	134 222 853	26 451 901	-	-	(7 054 950)	-	155 619 795
Work in progress	30 531 726	87 832 808	-	(64 509 822)	-	-	53 854 890
Other assets	14 351 993	6 595 138	(368 027)	-	(4 162 989)	-	16 375 302
Leased assets	3 050 761	7 440 639	(8 355)	-	(2 919 031)	-	7 564 034
	1 466 564 537	169 639 938	(2 903 408)	(64 509 822)	(127 618 723)	(4 399 272)	1 466 773 249

Included in the Infrastructure is an amount for Landfill site with the carrying amount of R 4 418 699 (2019: R 4 655 040).

The Municipality incurred expenditure for repairs and maintenance of property, plant & equipment of R 25 605 606 (2019: R 41 909 821).

The 2019/2019 comparative amount of R 1,456 billion on property, plant and equipment has been restated from R 1,455 billion (see note 52).

The assessment of impairment of assets resulted in an impairment of loss of R 9 236 673 (see note 3f).

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

Reconciliation of Work-in-Progress 2020

	Opening balance	Additions	Write-Offs	Transfers from WIP Capitalised	Impairment Loss	Total
Infrastructure:	4 312 296	48 755 405	(231 771)	(23 385 547)	-	29 450 383
Electricity						
Infrastructure:	45 476 706	73 725 177	(614 319)	(7 672 544)	-	110 915 020
Roads						
Infrastructure:	1 247 321	6 524 328	-	(1 281 035)	-	6 490 612
Buildings						
Community Assets	1 459 364	4 916 889	-	-	-	6 376 263
Other Assets	1 359 203	337 675	-	(1 696 878)	-	-
	53 854 890	134 259 482	(846 090)	(34 036 004)	-	153 232 278

Reconciliation of Work-in-Progress 2019

	Opening balance	Additions	Write-Offs	Transfers from WIP Capitalised	Impairment Loss	Total
Infrastructure:	5 785 014	31 539 723	-	(33 012 441)	-	4 312 296
Electricity						
Infrastructure:	3 104 036	48 621 387	-	(6 248 727)	-	45 476 706
Roads						
Infrastructure:	-	1 247 321	-	-	-	1 247 321
Buildings						
Community Assets	21 642 676	5 065 342	-	(25 248 654)	-	1 459 364
Other Assets	-	1 359 203	-	-	-	1 359 203
	30 531 726	87 832 986	-	(64 509 822)	-	53 854 890

The Municipality does not have slow moving projects.

The R846 090 written off consist of projects that never happened and there is no plan to continue with the projects.

Projects Written Off:

- SAB Re-routing of HT Cable NERSA Audit
- Rita to Mariveni Road (Professional Fees for GTM Part)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

A detailed breakdown of property plant and equipment by asset class can be found in Annexure "B".

12. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 962 381	(3 217 911)	744 470	3 760 040	(2 624 903)	1 135 137

Greater Tzaneen Municipality

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Reconciliation of Intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software and license	1 135 137	202 341	(593 008)	744 470

Reconciliation of Intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software and license	1 603 468	154 938	(623 289)	1 135 137

Pledged as security

No intangible assets have been pledged as security for any liability.

The municipality amortizes all its intangible assets on a straight-line method and none of these are regarded as having an indefinite useful life. The useful lives of intangible assets changed from one to two years on average from previous years.

13. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated Impairment losses	Carrying value
Mayoral chain	195 000	-	195 000	195 000	-	195 000
Council Gowns	5 958	-	5 958	-	-	-
Total	200 958	-	200 958	195 000	-	195 000

Reconciliation of heritage assets 2020

	Opening balance	Additions	Total
Mayoral chain	195 000	-	195 000
Council Gowns	-	5 958	5 958
	195 000	5 958	200 958

Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	195 000	195 000
	-	-

Expenditure incurred to repair and maintain heritage assets

No cost was incurred to repair and maintain the heritage assets during the current financial year (2019 : R-).

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
14. Other financial liabilities		
Designated at fair value		
DBSA local registered loan stock	-	15 000 000
Loan Stock - Standard Bank	30 000 000	30 000 000
	30 000 000	45 000 000
At amortised cost		
Annuity loan - DBSA	28 476 073	30 466 889
Annuity loan - ABSA	15 182 352	16 848 525
Annuity loan - DBSA	39 271 550	40 000 000
Annuity loan - DBSA	19 620 943	-
Accrued interest	741 957	1 140 403
	103 292 875	88 455 817
Total other financial liabilities	133 292 875	133 455 817
Non-current liabilities		
Other	30 000 000	45 000 000
Annuity loans	93 441 226	66 645 166
	123 441 226	110 645 166
Current liabilities		
At amortised cost	9 851 649	22 810 651

Annuity loan: DBSA

A loan of R41 000 000, with a current balance of R 28 476 073 (2019: R 30 466 889) was taken up to finance capital projects. This loan bears interest at a fixed rate of 6.75% per annum and will be fully redeemed on 31 October 2030.

Annuity loan: ABSA

This loan of R25 140 000, with a current balance of R 15 182 352 (2019: R 16 848 525), was taken up on 15 August 2010. The loan bears interest at a fixed rate of 10.62% and will be fully redeemed on 31 July 2025.

Loan stock: DBSA (Excelsior 1 000 investment)

An annual investment of R 855 619, has been made with Liberty to repay a loan of R 15 000 000 on maturity date. The loan bears interest at a variable rate and was redeemed on 30 September 2019.

Loan stock: Standard Bank

A loan of R 30 000 000 has been taken up to finance capital projects. The loan bears interest at a fixed rate of 12.09% per annum and will be redeemed on 16 October 2025.

Annuity loan: DBSA

A loan of R 40 000 000, with a current balance of R 39 271 550 (2019: R 40 000 000) has been taken up to finance capital projects. The loan bears interest at a fixed rate of 11.3% per annum and will be fully redeemed on 30 September 2028.

Annuity loan: DBSA

A loan of R 20 000 000, with a current balance of R 19 620 943 was taken up on 15 August 2019. The loan bears interest at a fixed rate of 10.15% and will be fully redeemed on 20 September 2028.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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Undrawn borrowings

There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2020.

None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.

The Municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

15. Finance lease obligation

Minimum lease payments due

- within one year	5 230 860	3 630 878
- in second to fifth year inclusive	4 718 168	4 060 236
	9 949 026	7 691 114
less: future finance charges	(2 136 823)	(1 161 090)
Present value of minimum lease payments	7 812 203	6 530 024

Present value of minimum lease payments due

- within one year	3 886 967	2 978 540
- in second to fifth year inclusive	3 925 236	3 551 484
	7 812 203	6 530 024

Non-current liabilities	3 925 236	3 551 484
Current liabilities	3 886 967	2 978 540
	7 812 203	6 530 024

The average lease term was 2 to 3 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and others escalate. No arrangements have been entered into for contingent rent.

The carrying value of these leased assets are included under property, plant and equipment.

The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The Municipality did not default on any of the interest or capital repayments of the finance leases.

The Municipality has entered into new lease agreement for rental of IT equipment.

No terms and conditions of the finance leases were re-negotiated during the reporting period.

16. Payables from exchange transactions

Payables	161 530 121	161 625 839
Staff leave	30 654 804	30 919 811
Retention	18 891 638	22 753 277
Unknown direct deposits	15 213 755	4 739 264
13th Cheque	8 635 057	8 034 086
	234 925 375	228 072 277

The 'payables' 2019 comparative amount of R 228 million has been restated from R 227.6 million (see note 62).

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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Trade payables

The average credit period on purchases is 30 days from receipt of the invoice, as determined by Section 99 of the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with.

Included under payables are payments received in advance which are non-interest bearing and normally settled on 30 day terms

Staff leave

Annual leave accrues to employees on a monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

Retention

Retention is non-interest bearing and settled in terms of the contract agreement.

Unknown direct deposits

The origin of the deposits could not be determined at year-end.

13th Cheque

A 13th cheque or annual bonus accrues to staff on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff and is paid after the completion of twelve months. The Municipality has an obligation to pay a service bonus in terms of its conditions of employment.

The carrying value of payables from exchange transactions approximate their fair values. The fair value is determined after considering the standard terms and conditions of agreements entered into by the Municipality and the parties.

The Municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

17. VAT payable

Net VAT payable	43 987 928	39 744 096
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The 'net vat payable' 2019 comparative amount of R 39.7 million has been restated from R 39.9 million (see note 62).

The financial statements have been prepared on the accrual basis whilst VAT is payable to SARS on the payment's basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made. Interest on late payment is charged according to SARS policies.

18. Consumer deposits

Electricity	27 397 000	27 068 007
Guarantees held in lieu of electricity deposits	3 025 550	3 211 830

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding accounts.

Business consumers are allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

Greater Tzaneen Municipality

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Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
19. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Grants	5 455 827	5 083 273
Movement during the year		
Balance at the beginning of the year	5 083 273	3 955 460
Additions during the year	133 927 611	118 602 405
Income recognition during the year	(114 489 674)	(94 239 934)
Administration fee recognised during the year	(4 713 150)	(4 615 750)
Roll-over not approved	-	(2 725 000)
VAT	(14 226 197)	(12 863 296)
Roll-over not applied for	(126 036)	(1 030 612)
	5 455 827	5 083 273

The amount of unspent conditional grants and receipts is held in the operating bank account of the Municipality until utilized. The total grants recognised in the statement of financial performance are disclosed in note 25.

20. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Increase due to re-measurement	Total
Provision for rehabilitation of landfill site	5 089 171	508 917	-	5 598 088
Provision for performance bonuses	948 670	-	21 807	970 477
	6 037 841	508 917	21 807	6 568 565

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for rehabilitation of landfill site	4 626 520	462 651	5 089 171
Provision for performance bonuses	445 724	502 946	948 670
	5 072 244	965 597	6 037 841
Non-current liabilities		5 598 088	5 089 171
Current liabilities		970 477	948 670
		6 568 565	6 037 841

Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. Provision is made in terms of the Municipality's licensing stipulations on the waste landfill site. The provision has been determined on the basis of independent valuations by environmental consultants. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

Provision for performance bonuses

Performance bonuses accrue to Section 57 managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonuses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed.

Greater Tzaneen Municipality

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Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
21. Employee benefit obligations		
Defined benefit plan		
The total amount recognised in the statement of financial position is as follows:		
Carrying value		
Defined benefit obligation - long service award	17 202 000	16 353 718
Defined benefit obligation - post retirement medical aid plan	58 926 000	65 120 960
	76 128 000	81 474 678
Post-retirement medical aid plan		
The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the Municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality's decision on protected rights.		
The post-employment health care benefits valuation considers all current employees, retired employees and their dependents who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation which was performed by ARCH Actuarial Consulting is 30 June 2020.		
Plan assets		
Currently, no long-term assets are set aside off - balance sheet in respect of the employer's post-employment health care liability.		
The Projected Unit Credit Method was used to value the liabilities and the liability for eligible employees is accrued over their expected working lifetime.		
Membership of health care arrangements entitled to a post-employment medical aid subsidy at reporting date was:		
In-service members	410	392
In-service non-members	232	262
Continuation members	49	51
	691	705
The amount recognised in the statement of financial position is as follows:		
Carrying value		
Present value of the defined benefits obligations - wholly unfunded	58 926 000	65 120 960
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	65 120 960	70 844 367
Benefits paid	(2 200 887)	(2 217 321)
Net expense recognised in the statement of financial performance	(3 994 073)	(3 506 086)
	58 926 000	65 120 960
Net expense recognised in the statement of financial performance		
Current cost	2 979 494	3 613 750
Interest cost	6 071 507	6 738 938
Actuarial (gains) / losses	(13 045 074)	(13 858 774)
	(3 994 073)	(3 506 086)

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Calculation of actuarial gains and losses		
Actuarial (gains) / losses	13 045 074	13 858 774
Key assumptions used		
Assumptions used at reporting date		
Discount rate used	10,53 %	9,48 %
Health care cost inflation rate	8,57 %	6,93 %
Net discount rate	3,72 %	2,38 %
Average retirement rate	62	62
Best estimate of contribution expected to be paid		
Expected benefit to be paid	2 416 000	2 200 687

Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or deficit. The effect of a one percentage movement in the assumed rate of health care cost inflation is as follows:

Increase		
Effect of aggregate service cost and interest cost	11 697 900	13 329 300
Effect on the defined benefit obligation	72 756 000	82 169 000
Decrease		
Effect of aggregate service cost and interest cost	8 277 400	(9 562 700)
Effect on the defined benefit obligation	55 501 000	(80 994 000)

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	58 926 000	65 120 960	70 844 367	72 553 728	74 141 098
Surplus (deficit)	(58 926 000)	(65 120 960)	(70 844 367)	(72 553 728)	(74 141 098)

Long service awards

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 655 (2019: 654) employees that are entitled to long service leave awards on 30 June 2020. The long service leave awards liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	17 202 000	16 353 718

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	16 353 718	12 977 156
Benefits paid	(2 084 693)	(1 738 011)
Net expense recognised in the statement of financial performance	2 932 975	5 114 573
	17 202 000	16 353 718

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Net expense recognised in the statement of financial performance		
Current service cost	1 568 733	1 206 302
Interest cost	1 246 470	1 022 199
Actuarial (gains) losses	117 772	2 886 072
	2 932 975	6 114 573

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	117 772	2 886 072
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,18 %	8,13 %
Expected increase in salaries	3,86 %	5,55 %
Net discount rate	3,20 %	2,44 %
	62	62

Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Increase		
Effect of aggregate service cost and interest cost	3 310 600	2 627 600
Effect on defined contribution obligation	19 779 000	19 067 000
Decrease		
Effect on aggregate service cost and interest cost	2 874 700	(2 305 900)
Effect on defined benefit obligation	17 632 000	(16 954 000)

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	17 202 000	16 353 718	12 977 156	11 669 376	11 622 662
Surplus (deficit)	(17 202 000)	(16 353 718)	(12 977 156)	(11 669 376)	(11 622 662)

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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Defined contribution plan

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	55 868 524	51 922 920
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The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/ employees leave plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the statement of financial performance of R 55.8 million represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans.

Included in defined contribution plan of R55 868 524 above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution plans.

The amounts disclosed above includes an amount of R 667 515 (2019: R 671 964) which represents the contributions for councillors.

Municipal Employees pension fund

The contribution rate paid by the members of 7.5% and council of 22% or 18% are sufficient to fund the benefits accruing from the fund in future.

2 542 631	2 458 610
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Municipal Employees Gratuity Fund

The contribution paid by the members of 7.5% or 9% and council 22% or 18% is sufficient to fund the benefits accruing from the fund in future.

At the valuation date of 30 June 2018 the gratuity fund was funded and revealed that the fund was certified to be in a sound financial position.

7 855 896	7 760 568
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IMATU Retirement Fund

The above-mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

44 802 482	41 031 779
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Municipal councillors pension fund

The municipal councillors' pension fund operates as a defined contribution scheme. The contribution rate paid by the members is 28.75% and no contribution is made by Council.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
22. Service charges		
Sale of electricity	506 823 128	439 099 834
Sale of prepaid electricity	16 500 167	10 764 021
Indigent charges	1 327 746	2 882 501
Refuse removal	33 012 063	33 052 322
Other service charges	246 295	507 734
	557 909 399	486 306 412

The amounts disclosed above for sale of electricity, indigent charges and refuse removal are in respect of services rendered and are billed to the consumers on a monthly basis according to council's approved tariffs.

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

23. Other income

Credit control actions	480 474	154 709
Environmental health services	20 211	19 774
Grant admin fee	1 007 543	5 452 684
Library services	8 930	7 413
Motor vehicle and drivers license	5 424 663	6 922 135
Recoveries	152 005	361 494
Sundry income	135 843	192 322
Valuation certificates	67 265	82 565
Grant revenue	20 496 593	14 408 711
	27 795 527	27 601 807

The amounts disclosed above as other income are in respect of services rendered, other than disclosed in note 22, which are billed to or paid for by the users of services as required according to council's approved tariffs.

24. Property rates

Rates levied

Residential	54 137 464	46 599 616
Commercial	40 734 569	37 736 924
State	9 768 851	9 251 648
Other	10 105 636	15 572 224
	114 746 520	109 160 412
Property rates - penalties imposed	10 883 012	10 022 809
	125 629 532	119 183 221

Greater Tzaneen Municipality

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Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Valuations		
	R'000	R'000
Residential	7 049 603	6 940 743
Commercial	3 098 140	3 033 734
State	739 186	739 185
Municipal	386 999	386 999
Agriculture	4 861 419	4 955 176
Other	152 260	184 106
	16 287 607	16 238 943

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rates are levied on a monthly basis and are payable by the 25th of each month, owners are allowed to pay the annual instalment by 30 September each year. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

25. Government grants and subsidies

Operating grants

Equitable share	383 693 036	338 344 000
Disaster Relief Grant	298 000	-
Finance Management Grant	2 145 000	2 145 000
SETA	1 400 490	636 404
Municipal Infrastructure Grant	77 869 317	76 150 621
National - Electrification Grant	16 971 997	9 604 883
IIPSA Grant	10 000 000	-
EPWP	5 749 000	5 510 000
Cleanest town	55 870	193 226
	498 182 710	432 583 934

The Municipality does not foresee a significant change in the level of grant funding. Unconditional grants are used to subsidise the provision of basic services. Conditional grants are for operating and capital expenditure. Other than the amount unspent, the conditions of the grants have been met.

Unconditional Grants

Equitable share

Current year allocation	383 693 036	338 344 000
Transfer to revenue	(383 693 036)	(338 344 000)
No conditions to be met - transferred to liabilities	-	-

The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the constitution (Act 108 of 1996) to the Municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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Conditional Grants

SETA

Current-year receipts	1 402 611	636 404
Conditions met - transferred to revenue	(1 400 490)	(636 404)
Conditions still to be met - transferred to liabilities	2 121	-

Conditions still to be met - remain liabilities (see note 19).

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

Municipal Infrastructure Grant

Balance unspent at beginning of year	126 036	-
Current-year receipts	94 283 000	92 315 000
Conditions met - transferred to revenue	(77 869 317)	(76 150 621)
VAT on Grant (own Revenue)	(11 680 388)	(11 422 593)
Administration Fee	(4 713 150)	(4 615 750)
Roll over not applied for	(126 036)	-
Conditions still to be met - transferred to liabilities	135	126 036

Conditions still to be met - remain liabilities (see note 19).

Municipal Infrastructure Grant funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	4 950 460	3 755 458
Current-year receipts	20 000 000	15 998 000
Conditions met - transferred to revenue	(16 971 997)	(9 604 683)
VAT on grants	(2 545 799)	(1 440 703)
Roll over not approved	-	(2 725 000)
Roll over not applied for	-	(1 030 612)
Conditions still to be met - transferred to liabilities	5 432 664	4 950 480

Conditions still to be met - remain liabilities (see note 19).

The grant was used for electrification of villages.

Cleanest Town

Balance unspent at beginning of year	6 774	200 000
Current-year receipts	70 000	-
Conditions met - transferred to revenue	(55 870)	(193 226)
Conditions still to be met - transferred to liabilities	20 904	6 774

Conditions still to be met - remain liabilities (see note 19).

Funds received through the greenest town competition were used for the construction of a wall for grease and oil trays and traps.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Finance Management Grant		
Current-year receipts	2 145 000	2 145 000
Conditions met - transferred to revenue	(2 145 000)	(2 145 000)
No condition to be met - transferred to liabilities	-	-

The Finance Management Grant is paid by National Treasury to municipalities to help implement the finance reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (e.g. Salary cost of the financial management interns).

Disaster Relief Grant

Current-year receipts	298 000	-
Conditions met - transferred to revenue	(298 000)	-
No condition to be met - transferred to liabilities	-	-

The municipal disaster relief grant was used to assist in the response to COVID-19 pandemic.

EPWP Grant

Current-year receipts	5 749 000	5 510 000
Conditions met - transferred to revenue	(5 749 000)	(5 510 000)
No condition to be met - transferred to liabilities	-	-

The expanded public works programme grant was used to increase labour employment through operational programmes that increase job creation and skills development.

The grant is mainly used for rural waste removal.

IIPSA grant

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-
No condition to be met - transferred to liabilities	-	-

This grant was used to replace transformers at Tzaneen Main Substation

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

26. Donations received

2019/2020

Greater Tzaneen Municipality received a donation of Palisade Fence at Minitzani Park ERF 425 from the community of Arbor Park Fundraising Project on the 12 December 2019. The palisade fence was accounted for, at cost price of R80 000 provided by the Fundraiser.

2018/2019

Greater Tzaneen Municipality received a donation of IT equipment from The Office of the Premier on the 21st of February 2019. The IT equipment was accounted for at cost of R 110 987 as provided by The Office of the Premier.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
27. Revenue		
Service charges	557 909 399	486 306 412
Rental of facilities and equipment	1 152 233	2 132 696
Interest received (trading)	19 234 067	17 826 053
Agency services	9 118 576	9 254 073
Licenses and permits	1 231 992	1 020 674
Other income	27 795 527	27 601 807
Interest received - investment	8 677 865	9 615 814
Property rates	114 746 520	109 160 412
Property rates - penalties imposed	10 883 012	10 022 809
Government grants & subsidies	498 182 710	432 583 934
Public contributions and donations	80 000	110 987
Fines	Note 56 25 415 330	16 255 003
	1 274 427 231	1 121 890 674
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	557 909 399	486 306 412
Rental of facilities and equipment	1 152 233	2 132 696
Interest received (trading)	19 234 067	17 826 053
Agency services	9 118 576	9 254 073
Licenses and permits	1 231 992	1 020 674
Other income	27 795 527	27 601 807
Interest received - investment	8 677 865	9 615 814
	625 119 659	553 757 629
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	114 746 520	109 160 412
Property rates - penalties imposed	10 883 012	10 022 809
Transfer revenue		
Government grants & subsidies	498 182 710	432 583 934
Public contributions and donations	80 000	110 987
Fines	25 415 330	16 255 003
	649 307 572	568 133 145
28. Employee related costs		
Salaries and wages	225 988 562	211 558 810
Social contributions	47 180 311	44 265 273
Travel allowance	12 308 060	12 767 198
Overtime payments	27 607 855	24 754 783
Housing allowances	1 686 097	1 686 391
	314 771 685	295 232 455
Remuneration of Municipal Manager		
Annual Remuneration	1 469 161	1 497 396
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	241 785	201 785
Telephone allowance	24 000	24 000
	1 794 946	1 783 181

The Municipal Manager was appointed on 1 April 2018.

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Remuneration of Chief Finance Officer		
Annual Remuneration	996 448	957 588
Car Allowance	329 364	329 364
Contributions to UIF, Medical and Pension Funds	234 873	221 652
Telephone allowance	24 000	24 000
	1 584 685	1 532 584

The Chief Finance Officer was appointed on 1 May 2018.

Director Community Services

Annual Remuneration	1 039 500	1 009 926
Car Allowance	72 000	72 000
Contributions to UIF, Medical and Pension Funds	185 625	179 625
Telephone Allowance	24 000	24 000
	1 321 125	1 285 551

The Director Community Services was appointed on 1 April 2018.

Director Engineering Services

Annual Remuneration	903 387	892 293
Car Allowance	324 000	349 000
Contributions to UIF, Medical and Pension Funds	285 221	245 856
Telephone allowance	24 000	24 000
	1 536 608	1 511 149

The Director Civil Engineering was appointed on 1 June 2018.

Director Planning and Economic Development

Annual Remuneration	1 016 221	987 761
Car Allowance	96 000	96 000
Contributions to UIF, Medical and Pension Funds	184 603	177 025
Telephone allowance	24 000	24 000
	1 320 824	1 284 786

The Director Planning and Economic Development was appointed on 1 March 2018.

Director Corporate Services

Annual Remuneration	982 904	1 008 401
Car Allowance	171 000	72 000
Contributions to UIF, Medical and Pension Funds	148 785	181 785
Telephone allowance	24 000	24 000
	1 326 689	1 286 186

The Director Corporate Services was appointed with effect from 01 June 2017.

Greater Tzaneen Municipality

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Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Director Electrical Engineering		
Annual Remuneration	1 076 506	1 111 512
Car Allowance	168 241	151 778
Contributions to UIF, Medical and Pension Funds	345 317	257 168
Telephone allowance	24 000	24 000
	1 614 064	1 544 458

The Director Electrical Engineering was appointed with effect from 1 April 2017.

29. Remuneration of councillors

Councillor		
Mayor	938 020	904 434
Executive Committee allowance	2 084 758	2 037 261
Speaker and full-time councillors' allowances	5 049 146	4 872 620
Other councillors' allowances	18 904 610	18 321 967
	26 976 534	26 136 302

Remuneration for the mayor, speaker and chief whip are disclosed as follows:

Mayor		
Annual remuneration	670 388	644 603
Car allowance	223 462	214 868
Cellphone allowance	40 800	40 800
Contribution to medical aid and pension fund	3 370	4 163
	938 020	904 434

Speaker		
Annual remuneration	536 309	515 681
Car allowance	178 769	171 894
Cellphone allowance	40 800	40 800
Contribution to medical aid and pension fund	2 746	3 386
	758 624	731 761

Chief Whip		
Annual remuneration	502 790	483 452
Car allowance	167 597	161 151
Cellphone allowance	40 800	40 800
Contribution to medical aid and pension fund	3 774	4 616
	714 961	690 019

Greater Tzaneen Municipality

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In-kind benefits

The Mayor, Speaker, Chief Whip and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor and Speaker have use of Council owned vehicles for official duties.

The Mayor has one full-time secretary, one manager and a gender, youth and disability programme.

Remuneration of councillors

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution. Refer to Government Gazette nr 41335.

3D. Employees remuneration

Councillors

2020

	Emoluments	Travel	Cellphone- Allowance	SETA	Total
MR MG Mangena (Mayor)	670 387	223 463	40 800	3 370	938 020
MS DJ Mmetle (Speaker)	536 309	178 769	40 800	2 746	758 624
MR CS Nhem (Chief Whip)	502 790	167 597	40 800	3 774	714 961
MS MM Letsoalo	280 491	93 497	40 800	2 169	416 957
MS ML Hlangwane	280 491	93 497	40 800	2 177	416 965
MR D Malemela	280 491	93 497	40 800	2 137	416 925
MR M Prinsloo	280 491	93 497	40 800	2 165	416 953
MS MS Tiba	280 491	93 497	40 800	2 170	416 958
MR DG Mkhabela	502 790	167 597	40 800	3 810	714 997
MR GE Ntimbane	502 790	167 597	40 800	3 807	714 994
MR NJ Mbhalati	502 790	167 597	40 800	3 740	714 927
MR C Machimana	502 790	167 597	40 800	4 531	715 718
MR TT Maunatlala	502 790	167 597	40 800	3 738	714 925
MISS SS MJ Mokgoloboto	212 153	70 717	40 800	-	323 670
MS SP Masetla	212 153	70 717	40 800	1 197	324 867
MS MS Raganya	35 359	11 786	6 800	265	54 210
MS MS Raganya	228 693	73 959	34 000	1 368	336 020
MR TL Matita	212 153	70 717	40 800	1 683	325 353
MS MF Mbhalati	272 263	90 754	40 800	2 118	405 935
MS MM Mohale	212 153	70 717	40 800	1 688	325 358
MR NR Rikhotso	212 153	70 717	40 800	1 683	325 353
MS NH Zandamela	212 153	70 717	40 800	1 683	325 353
MR OK Banyini	212 153	70 717	40 800	1 683	325 353
MR SC Makwala	272 263	90 754	40 800	2 107	405 924
MR NA Masila	272 263	90 754	40 800	2 107	405 924
MS ML Pudikabekwa	272 263	90 754	40 800	2 107	405 924
MR PJ Ramodipa	272 262	90 754	40 800	2 124	405 940
MR MA Makwala	212 153	70 717	40 800	1 683	325 353
MS RE Pohl	212 153	70 717	40 800	1 683	325 353
MR N Nkhwashu	212 153	70 717	40 800	1 683	325 353
MR NM Mahasha	162 529	54 176	26 330	1 378	243 413
MR MM Makwala	272 263	90 754	40 800	2 126	405 943
MR MC Nkwashu	268 263	90 754	40 800	2 124	401 941
MR TH Mushwana	212 153	70 717	40 800	1 683	325 353
MS MS Baloyi	212 153	70 717	40 800	1 683	325 353
MR J Banyini	212 153	70 717	40 800	1 683	325 353
MR PW Cronje	212 153	70 717	40 800	1 683	325 353
MS DF Kgafane	212 153	70 717	40 800	1 521	325 191
MS MR Kgatla	212 153	70 717	40 800	1 683	325 353

Greater Tzaneen Municipality

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MR LK Lepulan	212 153	70 717	40 800	1 683	325 353
MR MJ Maake	212 153	70 717	40 800	1 683	325 353
MR MH Mafokwane	212 153	70 717	40 800	1 685	325 355
MS JT Makhubele	212 153	70 717	40 800	1 258	324 928
MR GP Makhubele	35 339	11 808	8 800	361	54 308
MR GP Makhubele	226 693	73 959	34 000	1 746	336 398
MR GM Malatji	272 283	90 754	40 800	2 107	406 924
MR TE Malatji	212 153	70 717	40 800	1 684	325 354
MS SM Mapitja	212 153	70 717	40 800	1 249	324 919
MS NP Mathebula	212 153	70 717	40 800	1 684	325 354
MS MM Thlokwa	212 153	70 717	40 800	1 683	325 353
MR NG Maunatlala	212 153	70 717	40 800	1 688	325 358
MR TJ MC Clintock	212 153	70 717	40 800	1 683	325 353
MR MF Mochabela	212 153	70 717	40 800	1 683	325 353
MS FT Mohlaba	212 153	70 717	40 800	1 686	325 356
MR SN Mohonone	212 153	70 717	40 800	1 683	325 353
MS MC Morwatshehla	212 153	70 717	40 800	1 683	325 353
MS TR Mpenyana	212 153	70 717	40 800	1 249	324 919
MR NG Mukansi	212 153	70 717	40 800	1 683	325 353
MR JL Ngobeni	212 153	70 717	40 800	1 683	325 353
MR SE Ngobeni	212 153	70 717	40 800	1 683	325 353
MS ET Ngobeni	212 153	70 717	40 800	1 249	324 919
MR ME Phakula	212 153	70 717	40 800	1 683	325 353
MS SB Ramoshaba	212 153	70 717	40 800	1 683	325 353
MS MO Raolane	212 153	70 717	40 800	1 683	325 353
MS KI Rapatsa	212 153	70 717	40 800	1 686	325 356
MR RS Rapitsi	212 153	70 717	40 800	1 684	325 354
MS JM Ratopola	212 153	70 717	40 800	1 683	325 353
MS MM Sekhwela	212 153	70 717	40 800	1 628	325 298
MS CT Shisinga	212 153	70 717	40 800	1 683	325 353
MR O Sithole	212 153	70 717	40 800	1 693	325 363
MR PP Machethe	212 153	70 717	40 800	1 686	325 356
	18 033 492	6 009 284	2 799 730	134 028	26 976 534

Greater Tzaneen Municipality

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	Emoluments	Other benefits*	Cellphone allowance	SETA	Total
MS MM Letsoalo	269 703	89 901	40 800	2 648	403 052
MS ML Hlangwane	269 703	89 901	40 800	2 660	403 064
MR D Malemela	61 378	20 459	6 800	658	89 295
MR M Prinsloo	269 703	89 901	40 800	2 636	403 040
MS MM Sekhwafa	224 752	74 918	34 000	2 108	335 778
MS MS Tiba	269 703	89 901	40 800	2 647	403 051
MR C Machimana	483 452	161 151	40 800	5 456	690 859
MR GE Ntimbane	483 452	161 151	40 800	4 601	690 004
MR TT Maunatlala	483 452	161 151	40 800	4 574	689 977
MR NJ Mbhalati	483 452	161 151	40 800	4 577	689 980
MR DG Mkhabela	483 452	161 151	40 800	4 620	690 023
MR MG Mangena (Mayor)	644 603	214 868	40 800	4 163	904 434
MISS MJ Molgolobo	203 993	67 997	40 800	-	312 790
MS SP Masetla	203 993	67 997	40 800	1 458	314 248
MS MS Raganya	203 993	67 997	40 800	1 458	314 248
MR TL Matita	203 993	67 997	40 800	2 046	314 836
MS MM Mohale	203 993	67 997	40 800	2 044	314 834
MR NR Rikhotso	203 993	67 997	40 800	2 044	314 834
MS NH Zandamela	203 993	67 997	40 800	2 043	314 833
MR OK Banyini	203 993	67 997	40 800	2 044	314 834
MR MA Makwela	203 993	67 997	40 800	2 043	314 833
MS RE Pohl	203 993	67 997	40 800	2 043	314 833
MR N Nkhwashu	203 993	67 997	40 800	2 043	314 833
MR TH Mushwane	203 993	67 997	40 800	2 047	314 837
MS MS Baloyf	203 993	67 997	40 800	2 045	314 835
MR J Banyini	203 993	67 997	40 800	2 046	314 836
MR PW Cronje	203 993	67 997	40 800	2 043	314 833
MS DF Kgafane	265 016	6 974	40 800	2 062	314 852
MS MG Kgatla	66 868	22 289	13 909	664	103 730
MS MR Kgatla	203 993	67 997	40 800	2 044	314 834
MR LK Lepulana	203 993	67 997	40 800	2 044	314 834
MR MJ Maake	203 993	67 997	40 800	2 043	314 833
MR MH Mafokwane	203 993	67 997	40 800	2 046	314 836
MS JT Makhubela	203 993	67 997	40 800	1 534	314 324
MR GP Makhubele	203 993	67 997	40 800	2 043	314 833
MR TE Malatji	203 993	67 997	40 800	2 044	314 834
MR D Malemela	169 994	56 665	34 000	1 638	262 297
MS SM Mapitja	203 993	67 997	40 800	1 528	314 316
MS NP Mathebula	231 235	40 756	40 800	2 584	315 375
MS MM Thlokwa	203 993	67 997	40 800	2 051	314 841
MR NG Maunatlala	203 993	67 997	40 800	2 048	314 838
MR TJ MC Clintock	203 993	67 997	40 800	2 043	314 833
MR MF Mochabela	203 993	67 997	40 800	2 043	314 833
MS FT Mohlaba	203 993	67 997	40 800	2 043	314 833
MR SN Mokonone	203 993	67 997	40 800	2 049	314 839
MS MC Morwatshepe	203 993	67 997	40 800	2 046	314 834
MS TR Mpenyana	203 993	67 997	40 800	1 523	314 313
MR NG Mukansi	203 993	67 997	40 800	2 043	314 833
MR JL Ngobeni	203 993	67 997	40 800	2 043	314 833
MS ET Ngobeni	203 993	67 997	40 800	1 523	314 313
MR SE Ngobeni	203 993	67 997	40 800	2 046	314 836
MR ME Phakula	203 993	67 997	40 800	2 043	314 833
MS SB Ramoshaba	203 993	67 997	40 800	2 044	314 834
MS MQ Rualane	203 993	67 997	40 800	2 044	314 834
MS KI Rapatsa	203 993	67 997	40 800	2 045	314 835
MR RS Rapitsi	203 993	67 997	40 800	2 044	314 834
MS JM Ratopola	203 993	67 997	40 800	2 043	314 833

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MS MM Sekhwela	33 999	11 333	6 800	393	52 525
MS CT Shislinga	203 993	67 997	40 800	2 044	314 834
MR O Sithole	203 993	67 997	40 800	2 043	314 833
MR PP Mechathe	135 252	45 084	27 045	1 717	209 098
MS MF Mphahlati	261 791	87 264	40 800	2 572	392 427
MR SC Makwala	261 791	87 264	40 800	2 565	392 420
MR NA Masila	261 791	87 264	40 800	2 565	392 420
MS ML Pudikabekwa	261 791	87 264	40 800	2 585	392 420
MR PJ Ramodipa	261 791	87 264	40 800	2 584	392 439
MR NM Mahasha	261 791	87 264	40 800	2 573	392 428
MR MM Makwala	261 791	87 264	40 800	2 591	392 446
MR MC Nkwashu	261 391	87 264	40 800	2 611	392 066
MR GM Matlatji	261 791	87 264	40 800	2 572	392 427
MS DJ Mmetle(Speaker)	515 681	171 894	40 800	3 386	731 761
MR GS Nhemo (Chief Whip)	483 435	161 161	40 800	4 628	690 024
	17 456 703	5 701 007	2 816 354	164 238	26 136 302

31. Impairment loss

Impairments

Property, plant and equipment	9 236 673	4 399 272
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In terms of GRAP21, "impairment of non-cash generated assets", Municipalities are required to assess the impairment of its assets to comply with GRAP standards and assets management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2020. The assessment of impairment of assets has resulted in an impairment loss of R9 236 673 as a result significant loss in carrying amount of electricity infrastructure of R5 933 769 due to physical damage and Roads infrastructure of R3 302 904 due to significant change in condition and reconstruction.

32. Finance costs

Finance leases	1 335 411	1 012 410
Other interest paid	13 571 398	10 961 350
	14 906 809	11 973 760

33. Repairs and maintenance

Machinery and equipment	89 967	76 119
Lawnmowers	41 515	82 979
Distribution network	7 187 975	14 589 708
Stormwater, drainage and bridges	574 094	857 206
Tarred roads	6 497 242	9 105 738
Gravel roads	5 893 621	11 332 065
Streetslights	235 025	312 666
Council-owned buildings	1 105 821	1 381 593
Council-owned vehicles	2 970 514	3 661 083
Other	1 009 832	510 684
	25 606 606	41 909 821

The 'repairs and maintenance' 2019 comparative amount of R 41.9 million has been restated from R 42.1 million (see note 62).

34. Bulk purchases

Electricity - Eskom	392 274 281	348 443 869
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Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
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Bulk purchases are the cost of electricity not generated by the Municipality. The electricity which is purchased from Eskom is sold to consumers.

Water purchases are not included in bulk purchases as the Municipality acts as resource provider for Mopani District Municipality with regards to this service. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

35. Contracted services

Valuation roll	248 033	437 342
Traffic and security services	18 255 966	13 606 447
Refuse removal	14 013 397	12 875 846
Cleaning services	14 617 023	12 608 749
Council owned land	841 026	980 332
Information technology	2 227 052	1 176 365
Meter reading	200 916	842 498
Town planning	223 683	496 952
Aero drum	9 106	28 060
EPWP	3 483 158	4 033 010
Credit control	4 787 102	2 992 638
	58 906 462	50 076 239

36. Grants and subsidies paid

Other subsidies

Other grants	22 694 552	39 621 982
Eskom EBSST	3 968 166	3 304 042
Mayor bursary account	181 335	620 837
SPCA	100 000	156 000
Sport Council	190 000	106 844
SETA (Training)	1 400 490	636 404
Mayor special account	509 255	341 452
Solid waste: EPWP	5 749 000	5 510 000
	34 772 798	50 297 361

The mayor's bursary account is in respect of providing bursaries for further tertiary education.

Other grants are summarized as follows

Finance Management Grant	2 145 000	2 145 000
Integrated National Electrification programme (INEP) (DBSA project)	-	857 572
MIG project transfer to RAL	3 279 555	27 014 727
Integrated National Electrification programme (INEP)	16 971 997	9 604 683
Disaster Relief Grant (COVID-19)	298 000	-
	22 694 552	39 621 982

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
37. General expenses		
News letter	59 040	108 390
Advertising	1 107 361	1 147 402
Long service awards	29 379	25 438
Auditor's remuneration	6 474 173	5 780 394
Employee assistance programme	26 201	88 615
Computer rental	292 284	972 965
Consulting fees	43 059 851	39 147 870
Consumables	1 005 777	1 276 761
Task job evaluation	1 284 617	78 710
Public entertainment	349 584	938 003
Disaster Relief	1 941 735	613 345
Rent of office building	216 000	94 268
Insurance	2 262 418	44 890
Conferences and seminars	403 435	667 333
Insurance excess payments	5 787	1 012 321
Electricity- Eskom	1 181 966	1 215 176
Fuel and oil	10 270 392	11 402 836
Postage and courier	317 379	598 255
Printing and stationery	1 275 221	1 748 128
Protective clothing	209 244	950 130
Vehicle license & registration fees	178 328	378 025
Subscriptions	78 008	83 581
Telephone and fax	2 075 408	2 145 797
Training	1 669 920	2 854 223
Travel - local	8 693 262	7 331 213
Insurance claims - Own expenditure	76 587	2 988 509
Membership fees - Salga	3 269 126	3 089 866
Telephone exchange rental	1 220	40 461
Public relations, tourism and marketing	8 343 606	8 457 173
Small tools and equipment	283 251	676 436
Lease rentals on operating leases	800 049	504 173
Bank administration fees	1 825 612	1 772 510
Licenses and permits	2 230 020	2 139 162
Cultural day	1 030 730	903 828
Other expenses	6 078 425	16 237 728
Youth gender & disability	123 054	244 014
Council owned land	458 025	416 387
	108 786 414	118 174 314

Certain comparative figures have been reclassified for presentation purposes in note 37.

Other general expenditure is summarized as follows

Water and sewerage expenses	2 010 778	11 378 337
Interest paid	3 717 605	4 795 678
Electricity	52 932	-
Inventory losses	65 113	-
Other expenses	231 997	63 713
	6 078 425	16 237 728

Consulting fees is summarized as follows

MSCOA	12 053 153	5 727 548
Assets	1 676 694	2 686 386
Electricity	2 537 507	2 846 200
Legal fees	20 832 712	20 706 635
Other	5 959 785	7 181 103
	43 059 851	39 147 870

Greater Tzaneen Municipality

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Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
38. Cash generated from operations		
Surplus (deficit)	130 984 258	(79 540 232)
Adjustments for:		
Depreciation and amortisation	98 378 043	128 241 991
Loss on sale of assets and liabilities	3 608 166	2 226 518
Fair value adjustments	50 000	-
Finance costs - Finance leases	1 335 411	1 012 410
Impairment deficit	9 236 873	4 399 272
Debt impairment	54 511 001	123 718 683
Movements in operating lease assets and accruals	18 722	21 131
Movements in retirement benefit assets and liabilities	(5 346 878)	(2 346 845)
Movements in provisions	530 724	965 597
Transfer of property, plant and equipment (non-cash item)	34 036 003	64 509 821
Changes in working capital:		
Inventories	(4 169 448)	1 002 085
Receivables from exchange transactions	(40 060 320)	(29 933 916)
Consumer debtors	(87 832 089)	(98 507 141)
Other receivables from non-exchange transactions	(14 327 402)	31 228 190
Payables from exchange transactions	6 853 099	20 207 202
VAT	4 243 834	3 391 013
Unspent conditional grants and receipts	372 554	1 127 813
Consumer deposits	328 993	209 544
	192 751 546	173 933 136
39. Auditors remuneration		
Fees - Auditor General of South Africa	6 474 173	5 780 394
40. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	112 736 718	135 273 326
• Other financial assets	55 994 604	115 171 851
	168 731 322	250 445 177
Total capital commitments		
Already contracted for but not provided for	168 731 322	250 445 177
Total commitments		
Total commitments		
Authorised capital expenditure	168 731 322	250 445 177
Capital commitments represent future, capital expenditure. The Municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per the Medium-Term Revenue and Expenditure Framework (MTREF).		
The expenditure will be financed by:		
Internal advances	55 994 604	101 223 287
MIG grants	102 318 641	135 273 326
OBSA loan	10 718 077	13 948 564
	168 731 322	250 445 177

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
41. Contingencies		
Contingent liabilities		
Contractual disputes		
Various contractual claims by contractors' suppliers and staff are currently in dispute, and are subject to mediation. The potential extent of the liability cannot be determined, since it is subject to litigation. The provisional estimate based on management assessment is R 85 million (2019 : R76 million). The merits must still be determined and could result in a lesser or greater amount.		
Malunga Tax Consultants vs Greater Tzaneen Municipality		
In 2015 Malunga Tax Consultant sued the Municipality for not honouring payment of services rendered in respect of review and recover of VAT, SDL, UIF and PAYE, the matter is still pending in High Court. The actual amount claimed as per the summons is R 7 602 106 and estimated legal fees for the matter is R 2 700 000 and was an estimation of how much the claim would cost	10 302 106	10 302 106
Siphiwe Engineering and Technologies vs Greater Tzaneen Municipality		
The Municipality is being sued by Siphiwe Engineering Technologies for unlawful termination of contract for services of upgrading of electrical network, the matter is still pending at the Arbitration stage from 2017. However, the Municipality made an application in terms of section 33 of the Arbitration Act 42 of 1965 against Siphiwe Engineering Technologies CC and His Lordship Retired MR Justice Zulman in High Court. The application involves a setting aside of an award granted in the amount of R 10 594 144.74 which is included in the contingent liability of 2020 and also the estimated legal fees of R1 100 000 for this matter	11 694 144	11 694 144
Letaba Pakkers vs Greater Tzaneen Municipality		
The Municipality is being sued for damage of electrical equipment which was caused by electrical surge within the jurisdiction of Greater Tzaneen operated by The Municipality, the matter is pending in the Magistrate Court from 2017. The actual amount claimed as per the particulars of claim is R 175 969 and estimated legal fees is R 450 000 as indicated was an estimation of how much the damages would cost	625 969	625 969
C Van Der Merwe vs Greater Tzaneen Municipality		
Mrs C Van Der Merwe who was the employee of the Municipality is suing the institution for an insurance claim that was not paid after a valid claim was instituted due to an accident which happened while she was employed by Council. The matter is still pending in the High Court. The contingent liability of 2020 for this matter includes the actual amount claimed and estimated legal fees for the matter	1 666 511	1 366 511
Hlimbyi Trading Enterprise vs Greater Tzaneen Municipality		
Hlimbyi is suing the Municipality for unlawful termination of contract for provision of physical security contract, the matter is pending in the High Court from 2015. The actual amount claimed as per the summons and estimated legal fees for the matter is indicated in 2020 and in 2019 was an estimation of how much the claim would cost.	32 564 330	32 564 330
Maria Malatji vs Greater Tzaneen Municipality		
In 2015, Ms Maria Malatji sued the municipality for damages to her property as a result of floods. The matter is pending in the High Court. The actual amount claimed as per the summons and estimated legal fees for the matter as indicated in 2020 and in 2019 was an estimation of how much the claim would cost	1 150 000	1 150 000

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Bernado Tounge vs Greater Tzaneen Municipality		
In 2015, Bernado Tounge sued the Municipality for damages to his property as a result of floods. The matter is pending in the High Court. The actual amount claimed as per the summons and estimated legal fees for the matter as indicated in 2020 and in 2019 was an estimation of how much the claim would cost.	1 150 000	1 150 000
Makoma Pony Hlokwé vs Greater Tzaneen Municipality		
Makoma Pony Hlokwé is suing the Municipality for loss of support as a result of the death of her husband whom was an employee of the Municipality. The amount claimed as per the summons is R 3 391 214 and the estimated legal fees amount is R 1 800 000	5 191 214	5 191 214
Sima Silver Lodge vs Greater Tzaneen Municipality		
Sima Silver Lodge is suing the Municipality for services rendered to Council in the amount of R 1 389 250 and the estimated legal fees amount is R 510 000	1 899 250	1 899 250
Bravospan 252 CC vs Greater Tzaneen Municipality		
In 2018, Bravospan sued the Municipality for damages of declaring their contract null and void in the amount of R 9 624 000 and the estimated legal fees amount is R 700 000	10 324 000	10 324 000
Tshlamiso / GTM		
In 2019, the Municipality terminated the contract of the service provider of the two road projects of Mulati Access Road and Codesa to Hani Street on the basis of the misrepresentation of the Bill of Quantities by the Service Provider. The Service provider is claiming payment of certificate of services rendered in counter application and completion of the projects in line with market related prices. The matter is still pending in High Court and the estimated legal fees for this matter is R 500 000.00	500 000	-
Mpho Kobela / GTM		
In 2019, the Mpho Kobela sued the Municipality for injuries sustained during Hawkers ejection in the CBD of Tzaneen, where circumstances forced Municipal Law Enforcement Officer to use ammunition to disperse the unsatisfied crowd of people who were refusing to leave the demarcated area for none trading purpose. The amount claimed is R 3 600 000.00 and the estimated legal fees is R 1 000 000.00	4 600 000	-
Nkuna Traditional Council / GTM x2		
In 2019, the Municipality received an application and action proceedings wherein the Nkuna Traditional Council is claiming ownership of land belonging to the state as their communal land. The Municipality realised that the result of the claim might lead to Council losing the Townships of Nkowankowa, Lenyenye and Letsitele. Land belonging and registered as Council property is claimed by Nkuna Traditional Council as their land. Both matters are still pending in the High Court and the estimated legal fees for this matter is R 1 100 000.00	1 100 000	-
Agri Letaba / GTM		
Agri-Letaba brought an application to Court against the Municipality for an order to compel the Municipality to publish a proclamation with regard to rezoning of Letaba Showground into Agricultural College against the restriction laid out by Mopani Tribunal that the rezoning must not happen before the restrictive conditions are met by Agri-Letaba. Agri-Letaba wants to remove the restrictive conditions and the Municipality wants Agri-Letaba to comply with the restrictions failure of which a counter-claim will be lodged to contest the ownership and registration of the property. The case is pending in the High Court from July 2020. The estimated legal fees is R 500 000.00	500 000	-

Greater Tzaneen Municipality

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GTM / Josephine Maake		
The Municipality suspended Josephine Maake as testing officer after her arrest by the DPCI/ The Hawks for the charges of dereliction of duty, fraud and corruption. She was later dismissed after a fair disciplinary hearing. She then took the Municipality to the Bargaining Council wherein the Arbitrator ruled in her favour of her reinstatement and payment of outstanding salaries due. The employee claim reinstatement to the Municipality as Traffic Officer. Ongoing in the Labour Court from October 2019.	900 000	-
Stanley Malatji / GTM		
The Municipality suspended Stanley Malatji as testing officer after her arrest by the DPCI/ The Hawks for the charges of dereliction of duty, fraud and corruption. He was later dismissed after a fair disciplinary hearing. He then took the Municipality to the Bargaining Council wherein the Arbitrator ruled in her favour of the Municipality. The employee claim reinstatement to the Municipality as Traffic Testing Officer. Ongoing in the Labour court from March 2020.	900 000	-
	85 067 524	76 267 624

Contingent assets

Outstanding Insurance claims

The estimated contingent asset for insurance claims amounts to R 4 074 237 (2019: R 276 088). The estimation is based on quotations, medical reports, estimates based on previous claims of similar nature, estimates by management and letters of demand received. The merits must all still be determined and could result in a lesser or greater amount. A detailed insurance register is available at the Municipality for inspection.

Contractual disputes

Phadima Group Holding and Greater Tzaneen Municipality were in dispute during the 2019 financial year. The potential extent of the asset could not be determined, since it was subject to litigation. The provisional estimate based on management assessment was R 912 800. The matter is finalized.

Phadima Group Holding vs Greater Tzaneen Municipality

On or during the 2007 to 2009, the parties (The Municipality and Phadima Phadima) entered into three Written agreements with regards to the development of an Immovable property known as Avis Park Extension 53 Tzaneen ("The Property"). The debt is written off by Council and the matter was referred for investigation by MPAC a Council Committee.

42. Related parties

Relationships/Management

Municipal Manager
Chief Financial Officer
Director Community services
Director Civil Engineering
Director Corporate Services
Director Electrical Engineering
Director Planning and Economic Development
Councillors

BS Matlala
MP Makhubela
HA Nkuna
CW Motokomme
W Shibamba
MS Lelope
B Mathebula
Refer to Note 29 for list of councillors

No member of the Municipality's management has significant influence over the financial or operating policies of the Municipality.

No business transactions took place between the Municipality and key management personnel.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions. Councillors are remunerated according to the Remuneration of Public Office Bearers Act 20 of 1998 and only have collective executive powers for planning, directing and controlling the activities of the Municipality.

Greater Tzaneen Municipality

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Loans granted to related parties

In terms of the MFMA the Municipality may not grant loans to its councillors, management, staff and public with effect from 1 March 2004.

GTEDA

GTEDA is a Municipal Entity Established by Greater Tzaneen Municipality and performs the function consistent with that of an entity and cannot control or influence council in making financial or operational decisions

The value of the grant paid over to GTEDA during the year under review amounts to R 7 963 852 (2019: R 6 834 783), excluding VAT.

The balance owed to GTEDA at year-end amounts to R 253 365 (2019: R 216 732).

Mopani District Municipality

Greater Tzaneen Municipality acts as the service provider for Mopani District Municipality (MDM) with regards to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records. Mopani District Municipality has no control over the council of Greater Tzaneen Municipality and cannot influence council in making financial or operational decisions.

The balance owing by MDM to GTM at year end amounts R 284 610 263(2019: R 248 085 223)

Section 57 Managers and Councillors

Refer to note 28 for detail of remuneration paid to Section 57 Managers and to note 30 for remuneration paid to Councillors.

Bids awarded to family of employees in service of state.

In terms of Section 45 of the municipal supply chain management regulations any award above R 2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

The following is a list as recorded:

Name of employee	Capacity	Successful tenderer	Amount in service
MJ. Malatjie/MD Malatjie	Manager Traffic/Senior Licensing Clerk	KE Malatjie Attorney	R 142 300
SD. Maake	Vehicle Ins. & Test Officer	DTM Consulting	R 1 322 279
Xikombiso Sibisi	Compliance Officer	Rivisi Electrical Contractors	R 7 119 247
NHM. Maake	Manager in Human Resources	Baobab Consulting	R 116 591
NHM. Maake	Manager in Human Resources	White Hall Trading	R 194 580
			R 8 894 997

43. Risk management

Financial risk management

Exposure to liquidity, credit, interest rate and currency risk arises in the normal course of the Municipality's operations. This note presents information about the Municipality's exposure to each of the above risks and processes for measuring and managing risks. Quantitative disclosures are included in these financial statements.

Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Greater Tzaneen Municipality

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Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant at 30 June 2020.

At 30 June 2020	Less than 1 year	Between 1 and 2 years
Other financial liabilities	9 851 649	123 441 226
Finance lease obligation	3 886 967	3 925 236
Payables from exchange transactions	234 925 375	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years
Other financial liabilities	22 810 651	110 845 168
Finance lease obligation	2 978 540	3 551 484
Payables from exchange transactions	228 072 277	-

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Potential concentrations of credit rate risk consist mainly of investments, loans, trade receivables and other receivables, short-term investment deposits and cash and cash equivalents.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the Municipality's Investments Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the Municipality effectively has the right to terminate services to customers.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of interest charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Receivables from exchange transactions	314 159 268	274 098 948
Receivables from non-exchange transactions	54 394 591	40 067 189

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Cash and cash equivalents	70 215 767	42 033 011
Consumer debtors	116 024 317	82 703 229
Other financial assets	21 113 399	31 525 083

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign exchange rates affecting the Municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on the risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Municipality is exposed to interest rate risk on its investments and long-term borrowings.

A sensitivity analysis is done by the Municipality on a continuous basis to determine its potential exposure to interest rate charges. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the Municipality calculates the impact that a change in interest rate will have on the surplus / deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest-bearing liabilities.

This risk is managed by investing in investments with different maturity dates. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the Municipality to cash flow interest rate risk. Borrowings at fixed rates expose the Municipality to fair value interest rate risk.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the Municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the Municipality's business, changes in the market prices will have a material impact on the trading results of the Municipality.

Risk is managed on an ongoing basis.

There has been no change, since the previous financial year to the Municipality exposure to market risks on the manner which it manages and measures the risk.

44. Going concern

The unaudited financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

45. Unauthorised expenditure

Opening Balance	83 025 989	111 909 226
Unauthorised expenditure for the year (overspending of budget)	-	83 025 989
Unauthorised expenditure condoned by council	(83 025 989)	(111 909 226)
Unauthorised expenditure awaiting condonement	-	83 025 989

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
Unauthorised expenditure for the year is as a result of overspending of the approved budget.		
The operational budget was exceeded on vote level which is summarised as follows:		
Financial Services	-	78 294 401
Electrical engineering services	-	4 731 588
Corporate services	-	-
Planning and economic development (PED)	-	-
Engineering services	-	-
Unauthorised expenditure	-	83 025 989

A detailed list of the 2019 unauthorised expenditure is available at the Municipality for inspection.

46. Fruitless and wasteful expenditure

Opening balance	11 466 055	13 362 176
Fruitless and wasteful expenditure- current year	3 717 605	9 975 974
Fruitless and wasteful expenditure written off (2015/2016)	-	(943 172)
Fruitless and wasteful expenditure written off (2016/2017)	-	(6 060 039)
Fruitless and wasteful expenditure written off (2017/2018)	-	(4 868 884)
Fruitless and wasteful expenditure written off (2018/2019)	(4 773 842)	-
Fruitless and wasteful expenditure awaiting write off / further investigation	10 409 818	11 466 055

The fruitless and wasteful expenditure has been tabled to council and was investigated by a committee of Council.

A detailed list of fruitless and wasteful expenditure is available at the Municipality for inspection.

The investigation results resulted in the fruitless and wasteful expenditure tabled to Council be condoned and written off.

47. Irregular expenditure

Opening balance	37 337 975	103 248 910
Add: Irregular Expenditure - current year	24 862 274	11 827 109
Irregular expenditure written off 2015/2016	-	(39 460 428)
Irregular expenditure written off 2016/2017	-	(25 477 044)
Irregular expenditure written off 2017/2018	-	(12 252 915)
Irregular expenditure written off 2018/2017	-	(547 657)
Irregular expenditure written off 2018/2019	(383 345)	-
Irregular expenditure awaiting write off / further investigation	61 816 904	37 337 975

Analysis of expenditure awaiting write off per age classification

Current year	24 862 274	11 827 109
Prior years	36 954 630	25 510 866
	61 816 904	37 337 975

Council and management are taking appropriate steps into analysing consequences of the above expenditure.

A detailed list of irregular expenditure is available at the Municipality for inspection.

The irregular expenditure has been tabled to Council and was investigated by a committee of Council.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	3 618 830	3 430 171
Amount paid - current year	(3 618 830)	(3 430 171)
	-	-

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
Skills Development Levy		
Current year subscription / fee	2 709 784	3 220 392
Amount paid - current year	(2 709 784)	(3 220 392)
	-	-
Audit fees		
Current year subscription / fee	6 474 173	5 780 394
Amount paid - current year	(6 474 173)	(5 780 394)
	-	-
PAYE and UIF		
Current year subscription / fee	72 268 051	66 750 919
Amount paid - current year	(72 268 051)	(66 750 919)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	79 768 464	73 657 675
Amount paid - current year	(79 768 464)	(73 657 675)
	-	-
Bargaining Council Levy		
Current year levy	156 118	146 038
Amount paid - current year	(156 118)	(146 038)
	-	-
VAT		
VAT payable	43 987 929	39 744 095

VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted by the due date throughout the year.

Councillors

Arrear consumer accounts

30 June 2020

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor : GE Timbana (Mdluli Project)	-	67 819	67 819
Councillor : MJ Maake	559	-	559
	<u>559</u>	<u>67 819</u>	<u>68 378</u>

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
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30 June 2019

The following Councillor had an arrear account outstanding for more than 90 days at 30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor : MJ Maake	503	-	503

49. Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred have been approved.

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 Issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the unaudited financial statements.

The rewards listed below have been approved by the Accounting Officer and noted by Council.

The classification of deviations:

Emergencies on service delivery	3 819 651	7 075 122
Deviations on appointment alternative service providers due current service providers having pending litigations with the Municipality	16 417	10 133 000
Deviation on general internal municipal operations and human resources	204 754	508 202
Emergency on provision for security	-	7 547 436
	<u>4 040 822</u>	<u>25 263 760</u>

All deviations considered by the Accounting Officer are processed in terms of the Supply Chain Management Regulations and the Supply Chain Management Policy. This process entails being assessed by the supply chain management bid adjudication committee in terms of the stipulated criteria of emergency procurements or circumstances where it is impractical or impossible to follow the official procedures.

A detailed deviation register is available at the Municipality for inspection.

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	133 292 875	133 455 817
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External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 14 for more detail regarding long-term borrowings.

52. Distribution losses

Units purchased (kWh)	356 231 757	375 039 517
Units lost during distribution (kWh)	74 482 474	77 317 188
Percentage lost during distribution	20,91 %	20,62 %
Rand Value	83 092 648	123 585 476

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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2020

2019

Electricity losses:

The electricity distribution losses for the current year are 20,91% (2019: 20,62%). These losses are predominantly due to metering inaccuracies, system operations, theft and vandalism.

The Municipality has engaged in a two-year investigation project to address the distribution losses. The project includes the upgrading of infrastructure and the implementation of a revenue enhancement programme in support of revenue losses/generation pertaining to electricity.

53. Budget differences

Material differences between budget and actual amounts

53.1 Explanation of variances between approved and final budget greater than 10%

The variance between the approved and final budget is due to adjustments approved on the adjustment budget and virements approved by directors. The increase in the Capital Budget is due to Capital projects rolled over from the previous financial year.

Included in the variances are variances lower than 10% which are regarded as material variances on the statement of financial performance.

Statement of Financial Performance

Revenue

Rental of facilities and equipment (-41,57%)

Most of the facilities were stopped from being rented in the 3rd quarter due to implementation of COVID-19 regulations. Variance is (2020: R(819 867)) and (2019: R (360 753)).

Interest received - outstanding receivables (13,14%)

The increase on interest on outstanding debtors is due to the late payment on debtors account. Variance is (2020: R2 234 067) and (2019: R 826 053).

Service charges (-8,27%)

The lower than expected revenue on service charges is due to lower than anticipated revenue billed for electricity. Variance is (2020: R(50 293 258)) and (2019: R 48 626 588).

Income from agency services (-83,01%)

The budgeted amount includes the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue. Variance is (2020: R(44 545 715)) and (2019: R (41 910 218)).

Licenses and permits (50,79%)

The variance is due to higher than expected revenue from the issuing of licenses and permits especially building plans approved, clearance certificates issued and town planning application fees. Variance is (2020: R414 992) and (2019: R249 674).

Other income (298,90%)

This higher than anticipated income is due to grant administration fees and VAT on grant transferred from grants and subsidies. Variance is (2020: R20 827 404) and (2019: R 15 866 761).

Interest received - external investment (101,76%)

The increase is as a result of the annual additional investment made during the year, annual capitalisation of interest on investment and interest earned on bank account. Variance is (2020: R4 376 865) and (2019: R5 814 814).

Property rates (10,33%)

The increase is due to supplementary valuation and new development. Variance is (2020: R10 746 520) and (2019: R22 160 412).

Property rates - penalties imposed (29,56%)

The huge increase is due to the late payments of debtors accounts and increment on debtors book. Variance is (2020: R2 463 012) and (2019: R 3 222 809) .

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Government grants and subsidies (-4,60%)

The budgeted amount includes the revenue for VAT and administration fees which is regarded as own revenue. Variance is (2020: R (23 999 020)) and (2019: R(22 362 470)).

Public contributions and donations (100,00%)

The Municipality received a donation of IT equipment from The Office of the Premier. Variance is (2020:R80 000) and (2019: R110 987)

Fines (-33,99%)

The disclosure of fines has been done in accordance with GRAP and resulting in total fines issues disclosed. Variance is (2020:R(13 085 808)) and (2019: R27 888 303).

Expenditure

Employee cost (-4,98%)

The underspending is due to vacant posts that were not filled immediately during the year. Variance (2020: R 16 485 224) and (2019: R 47 784 630).

Depreciation and amortisation (-20,02%)

The budget includes depreciation amount of roads transferred to RAL and projects under work in progress. Variance is (2020:R24 632 166) and (2019: R 5 751 409).

Impairment of assets (32,15%)

Physical damaged of electricity and roads infrastructure. Variance is (2020:R(2 246 882)) and (2019: R 4 399 272).

Collection cost (40,11%)

The new contract of debt collectors was appointment during October 2019. Variance is (2020:R(188 501)) and (2019: R 599 679).

Grants and subsidies paid (-12,65%)

The low spendig is due to INEP grant projects underspending. Variance is (2020: R5 037 932) and (2019: R (18 856 284)).

Repairs and maintenance (-37,80%)

The lower than anticipated spending is due to the under expenditure on the council owned vehicle usage and repairs and maintenance on electricity distribution network. Variance is(2020: R 15 561 468) and (2019: R18 823 626).

Contracted services (-11,81%)

The lower than anticipated spending is due to the under expenditure on contracted services security. Variance is (2020: R7 738 057) and (2019: R 5 630 929).

General expenses (-22,46%)

The lower than anticipated spending is due to the vehicle licencing costs transferred to department of transport. Variance is (2020: R 31 510 874) and (2019: R 13 705 929)

(Gain)/Loss on disposal of assets (-244,33%)

Loss on disposal due to assets written off and donation made to the private party. Variance is (2020: R (6 108 186)) and (2019: R (4 701 607)).

Fair value adjustment (-100%)

Change in value due to supplementary valuation received during the year. Variance is (2020: R(50 000)) and (2019: R 0).

Statement of Financial Position

Assets

Operating lease asset (-67,20%)

The reduction is due to the recalculation of prior year lease payments. Variance is (2020: R(103 992)) and (2019: R 11 420)

Other financial assets (-100,00%)

The total amount of stand sale transferred to operating revenue based on the audit of 2019/2020 financial year. Variance is (2020: R(3 594 775)) and (2019: R 3 267 978).

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Consumer debtors (-14,98%)

During the budget preparation the Municipality was anticipating that consumer debtors book would reduce due to credit control measures. Variance is (2020: R(20 438 336)) and (2019: R 7 242 681).

Receivables from non-exchange transactions (-33,74%)

The budget amount represents only cash received whilst the actual amount represents total traffic fines issued. The actual is disclosed according to GRAP1. Variance is (2020: R(27 694 703)) and (2019: R (37 793 551)).

Receivables from exchange transactions (45,86%)

The increase is due to the outstanding balance on Mopani debtors account. Variance is (2020: R98 772 734) and (2019: R 110 613 066).

Cash and cash equivalents (-12,24%)

The Municipality closed with a positive bank balance of R 70 215 766 during the year. Variance is (2020: R(9 794 841)) and (2019: R35 362 442).

Intangible assets (-47,46%)

The reduction is due to the amortisation of intangible assets. Variance is (2020: R (672 354)) and (2019: R325 019)

Other financial assets (-37,68%)

The decrease is due to the long-term investment of R 15 million redeemed during the year. Variance is (2020: R(12 765 224)) and (2019: R 13 823 858).

Liabilities

Other financial liabilities (current) (-20,77%)

The increase is due to the loan of R 15 million redeemed during the year. Variance is (2020:R(2 582 289)) and (2019: R12 044 040)

Payables from exchange transactions (13,45%)

The Municipality had creditors and retention amount not paid out at year end. Variance is (2020: R 27 851 827) and (2019: R 50 021 262).

VAT Payable (16,30%)

The outstanding balance represents an amount owed to SARS not paid at year end. Variance is (2020: R6 166 182) and (2019: R5 487 458).

Unspent conditional grants and receipts (100%)

The unspent conditional grants is higher than anticipated due to the outstanding balance of R 5.4 million under INEP grant. Variance is (2020: R5 455 827) and (2019: R1 509 796).

Provisions (93,78%)

The increase is due to the provision for performance bonus of all directors and municipal manager for the full financial year. Variance is (2020: R469 662) and (2019: R (327 914)).

Other financial liabilities (non-current) (22,87%)

The reduction is due to the loan of R 20 million taken up during the year. Variance is (2020: R23 054 415) and (2019: R 11 948 850).

Finance lease obligation (-58,15%)

The reduction is due to leases expired and lease payments made during the year. Variance is (2020: R(5 025 764)) and (2019: R (8 103 976)).

Statement of Cash Flows

Taxation revenue (24,19%)

The increase is due to annual increases in property rates and licence and permits as well as the improvement of buildings. Variance is (2020: R 24 469 532) and (2019: R (4 761 638)).

Interest Income (-41,80%)

The decrease is due to the inclusion of interest on outstanding debtors amount received under sale of goods and services. Variance is (2020: R (6 232 835)) and (2019 : R (11 185 186)).

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

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Transfer of property, plant and equipment (100%)

The actual amount represents capitalisation of completed projects transferred from WIP to infrastructure assets. Variance is (2020: R 34 036 003) and (2019: R64 509 821).

Additions to property, plant and equipment (14,11%)

The overspending is due to the amount of completed projects transferred from working in progress to infrastructure. Variance is (2020: R (21 588 151)) and (2019: R (22 603 460)).

Proceeds on disposal of property, plant and equipment (-100,00%)

It was anticipated that during the budget process that the Municipality will dispose its assets. Variance is (2020: R(2 500 000)) and (2019: R (2 500 000)).

Additions to intangible assets (-100%)

The increase is due to the acquisition of IT equipment Variance is (2020: R(202 341)) and (2019: R (154 938)).

Movement of financial asset (-347,22%)

The difference is due to the long investment redeemed during 2019/2020 financial year. Variance is (2020: R14 623 145) and (2019: R 435 316).

Repayment of other financial liabilities (-95,73%)

The difference is due to the long term loan of R15 million paid during the year. Variance is (2020: R3 652 286) and (2019: R (168 918)).

Finance lease payments (-98,45%)

The reduction is due to lease expired during the year. Variance is (2020: R1 446 768) and (2019: R 5 590 641).

54. Fair value adjustments

Investment property (Fair value model)	(50 000)	-
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The Greater Tzaneen Municipality fair valued its investment properties using the valuation roll that came into effect on the 01 July 2017 which is reviewed every four years.

55. Investment revenue

Interest revenue

Interest received - investment	8 677 865	9 616 814
Interest received - trading	19 234 067	17 826 053
	<u>27 911 932</u>	<u>27 441 867</u>

An amount of R 5 198 505 (2019: R 5 311 745) included in Investment revenue arises from fixed deposit transactions amounting to R 65 860 000 (2019: R 45 860 000), while the balance of R 3 479 360 (2019: R 4 304 069) arises from interest received on the Municipalities current bank account.

56. Fines revenue

Revenue for traffic fines issued	24 771 945	15 701 194
Other fines	643 385	553 809
	<u>25 415 330</u>	<u>16 255 003</u>

57. Loss / (gain) on disposal/ write off of assets

Property, plant and equipment	(3 498 166)	(2 226 518)
Investment property	(110 000)	-
	<u>(3 608 166)</u>	<u>(2 226 518)</u>

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

	2020	2019 Restated*
58. Public contributions and donations		
Public contributions and donations	80 000	110 987
See note 26.		
59. Depreciation and amortisation		
Property, plant and equipment	97 785 035	127 618 723
Intangible assets	593 008	623 268
	98 378 043	128 241 991
60. Debt Impairment movements		
Receivables from exchange transactions	1 166 682	6 940 143
Consumer debtors	8 863 645	79 989 163
Receivables from non-exchange transactions (fines and rates)	44 480 674	36 789 377
	54 511 001	123 718 683

61. Change in estimate

Change in accounting estimates

The Municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets remaining useful lives to change. Infrastructure assets useful life changed from nine (9) to ten (10) years on average. Other assets changed from two (2) to three (3) years on average. Leased assets remained unchanged with two (2) years on average. Intangible assets changed from one (1) to two (2) years on average. The effect of the change in accounting estimates has resulted in an decrease in depreciation and amortisation amounting to R 35 397 979 for the current period. The effect on future periods will increase the depreciation and amortisation by R 35 397 979.

The change in estimate affected the following classes of assets:

- Infrastructure assets
- Community assets
- Other assets
- Leased assets
- Intangible assets

62. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by the prior-period adjustments and reclassification.

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

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Statement of Financial Position 2018

<u>R251 009</u>	<u>PPE</u>
2018/06/30	Increase in land due to land misclassification R350
2018/06/30	Land reduction due to prior year donation not accounted for -R 372 882
2018/06/30	Accumulated Depreciation due to Leased Assets useful life previously not reviewed R 62 822.44
2018/06/30	Reduction in leased assets due to assets previously not derecognised at expiry of lease -R 2 387 116.61
2018/06/30	Accumulated depreciation of leased assets due to assets previously not derecognised at expiry of lease R 2 387 116.61
2018/06/30	Increase in other assets due to minor assets with zero value adjusted R1 194
2018/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed R 577 768.50
2018/06/30	Increase in infrastructure due to completed project previously not capitalised R 453 754.39
2018/06/30	Reduction in work in progress due to completed project previously not capitalised -R 453 754.39
2018/06/30	Accumulated depreciation due to completed project previously not capitalised -R 44 304.07
2018/06/30	Accumulated depreciation due to Infrastructure assets useful life previously not reviewed R 6 511 777.67
2018/06/30	Land reduction due to investment property incorrectly classified as PPE -R 3 891 895
2018/06/30	Land reduction due to private properties included as PPE -R 3 542 510
2018/06/30	Increase in PPE due to land previously classified as investment property R948 687.58
<u>R369 750</u>	<u>Investment property</u>
2018/06/30	Reduction of Investment property due to land misclassification -R 250
2018/06/30	Investment property reduction due to duplication of property -R 400 000
2018/06/30	Reduction of Investment property due to land misclassification -R 1 630 000
2018/06/30	Increase due to investment property incorrectly classified as land R 2 400 000
<u>R-82 734</u>	<u>Operating lease asset</u>
2018/06/30	Reduction in operating lease asset due to miscalculation and cancelled lease not previously accounted for -R 82 734.49

* See Note 02

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

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R10 911 513	<u>Accumulated Surplus</u>
2018/06/30	Increase in land due to land misclassification -R 100
2018/06/30	Land reduction due to prior year donation not accounted for R 372 882
2018/06/30	Accumulated Depreciation due to Leased Assets useful life previously not reviewed -R 62 822,44
2018/06/30	Increase in other assets due to minor assets with zero value adjusted -R 1 194
2018/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed -R 577 788,60
2018/06/30	Accumulated depreciation due to completed project previously not capitalised R 44 304,07
2018/06/30	Accumulated depreciation due to Infrastructure assets useful life previously not reviewed -R 6 511 777,67
2018/06/30	Reduction in operating lease asset due to miscalculations and cancelled lease not previously accounted for R 82 734,49
2018/06/30	Land reduction due to investment property incorrectly classified as PPE R 3 891 895
2018/06/30	Land reduction due to private properties included as PPE R 3 542 510
2018/06/30	Increase in PPE due to land previously classified as investment property -R 948 688
2018/06/30	Investment property reduction due to duplication of property R 400 000
2018/06/30	Reduction of Investment property due to land misclassification R 1 630 000
2018/06/30	Increase due to Investment property incorrectly classified as land -R 2 400 000
2018/06/30	Traffic fines withdrawn in the 2017/18 financial year R76 640,00
2018/06/30	Traffic fines withdrawn in the 2016/17 and 2017/18 financial years R5 440
2018/06/30	Traffic fine issued during the 2017/18 financial year - R10 000
2018/06/30	Increase in receivables from exchange due to the correction of VAT portion of impairment allocation of Mopani District Municipality - R10 445 576
2018/06/30	Rounding R8
-R72 080	<u>Receivables from non-exchange transactions</u>
2018/06/30	Traffic fines withdrawn in the 2017/2018 financial year - R76 640
2018/06/30	Traffic fines withdrawn in the 2016/2017 financial year, 2017/2018 adjustment - R5 440
2018/06/30	Traffic fines issued during the 2017/2018 financial year R10 000
R10 445 576	<u>Receivables from exchange transactions</u>
2018/06/30	Increase in receivables due to the correction of the VAT portion in impairment allocation of Mopani District Municipality R10 445 576.
-R8	<u>Payables from exchange transactions</u>
2018/06/30	Rounding - R8

* See Note 62

Greater Tzaneen Municipality

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Statement of Financial Position 2019

R1 645 427 PPE

2019/06/30	Increase in land due to land misclassification R 350
2019/06/30	Land reduction due to prior year donation not accounted for -R 372 882
2019/06/30	Accumulated Depreciation due to Leased Assets useful life previously not reviewed R 62 822,44
2019/06/30	Reduction in leased assets due to assets previously not derecognised at expiry of lease -R 2 387 116,61
2019/06/30	Accumulated depreciation of leased assets due to assets previously not derecognised at expiry of lease R 2 387 116,61
2019/06/30	Increase in other assets due to minor assets with zero value adjusted R 1 194
2019/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed R 577 768,50
2019/06/30	Increase in infrastructure due to completed project previously not capitalised R 453 754,39
2019/06/30	Reduction in work in progress due to completed project previously not capitalised -R 453 754,39
2019/06/30	Accumulated depreciation due to completed project previously not capitalised -R 44 304,07
2019/06/30	Accumulated depreciation due to Infrastructure assets useful life previously not reviewed R 6 511 777,67
2019/06/30	Land reduction due to investment property incorrectly classified as PPE -R 3 891 895
2019/06/30	Land reduction due to private properties included as PPE -R 3 542 510
2019/06/30	Increase in PPE due to land previously classified as investment property R 948 687,58
2019/06/30	Increase in infrastructure due to electricity projects capitalised with incorrect amount R 229 943,96
2019/06/30	Accumulated depreciation for electricity projects capitalised with incorrect amount -R 61,44
2019/06/30	Increase in other assets due to maintenance cost previously not capitalised R 220 520
2019/06/30	Accumulated depreciation due to maintenance cost previously not capitalised -R 12 863,67
2019/06/30	Increase in work in progress due to a project previously not recognised R 1 359 203,37
2019/06/30	Accumulated Depreciation due to Leased Assets useful life previously not reviewed capitalised -R 21 471,55
2019/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed capitalised -R 116 929,41
2019/06/30	Accumulated depreciation due to completed project previously not capitalised -R 22 687,72
2019/06/30	Accumulated depreciation due to Infrastructure assets useful life previously not reviewed -R 341 234,39

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

R369 750 Investment property

2019/06/30	Reduction of investment property due to land misclassification -R 250
2019/06/30	Investment property reduction due to duplication of property -R 400 000
2019/06/30	Reduction of investment property due to land misclassification -R 1 630 000
2019/06/30	Increase due to investment property incorrectly classified as land R 2 400 000

R-82 891 Operating lease asset

2019/06/30	Reduction in operating lease asset due to miscalculation and cancelled lease not previously accounted for R -156.31
2019/06/30	Reduction in operating lease asset due to miscalculation and cancelled lease not previously accounted for R -82 734.49

R-446 685 Payables from exchange transactions

2019/06/30	Increase in creditors due to electricity projects completed in prior year -R 229 953.
2019/06/30	Increase in creditors due to VAT refund paid to GTM instead of GTEDA -R 216 732.

R-216 732 VAT Payable

2019/06/30	Reduction in VAT payable due to GTEDA VAT refunded to GTM -R 216 732.
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R12 886 082 Receivables from exchange transactions

2019/06/30	Increase in receivables from exchange transactions due to correction of the VAT portion in impairment allocation of Mopani District Municipality R12 886 082
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R-19 240 625 Consumer debtors

2019/06/30	Reduction in consumer debtors due to the GRAP 108 requirement to allocate statutory receivables as receivables from non-exchange transactions -R 19 240 625.
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R3 234 109 Receivables from non-exchange transactions

2019/06/30	Reduction in receivables , traffic fines withdrawn in the 2017/18 financial year - R95 000.
2019/06/30	Reduction in receivables , traffic fines withdrawn in the 2016/17 and 2017/18 financial year - R15 924 516.
2019/06/30	Increase in receivables , traffic fines issued due to incorrect allocation in previous years R 13 000.
2019/06/30	Increase in receivables from non-exchange transactions due to GRAP 108 requirement to allocate statutory receivables as receivables from non-exchange transactions R 19 240 625

^a See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Statement of Financial Position	2018 previously reported	Correction of errors	2018 Restated
Assets			
Current Assets			
Inventory	19 164 420	-	19 164 420
Operating lease asset	173 357	(82 734)	90 623
Receivables from exchange transaction	233 719 455	10 445 576	244 165 031
Receivables from non-exchange transactions	43 961 106	(72 080)	43 889 026
Consumer debtors	137 321 124	-	137 321 124
Cash and cash equivalents	7 490 665	-	7 490 665
Non - Current Assets			
Investment properties	181 377 053	369 750	181 746 803
Property, plant and equipment	1 486 313 522	251 009	1 486 564 531
Intangible assets	1 603 468	-	1 603 468
Heritage asset	195 000	-	195 000
Other Financial assets	26 887 399	-	26 887 399
Liabilities			
Current Liabilities			
Other financial liabilities	(10 725 007)	-	(10 725 007)
Finance lease obligation	(824 306)	-	(824 306)
Payables from exchange transactions	(207 865 063)	(8)	(207 865 071)
VAT Payable	(36 353 082)	-	(36 353 082)
Consumer debtors	(26 858 463)	-	(26 858 463)
Unspent conditional grants and receipts	(3 955 460)	-	(3 955 460)
Provisions	(445 724)	-	(445 724)
Non-Current Liabilities			
Other financial liabilities	(92 456 572)	-	(92 456 572)
Finance lease obligation	(602 667)	-	(602 667)
Employee benefit obligation	(83 821 523)	-	(83 821 523)
Provisions	(4 626 520)	-	(4 626 520)
Accumulated surplus	1 669 672 182	10 911 513	1 680 583 695

* See Note 02

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Statement of Financial Position	2019 previously reported	Corroction of errors	2019 Restated
Assets			
Current Assets			
Inventories	18 162 335	-	18 162 335
Operating lease asset	152 382	(82 891)	69 491
Receivables from exchange transactions	261 212 866	12 886 082	274 098 948
Receivables from non-exchange transactions	36 833 080	3 234 109	40 067 189
Consumer debtors	101 943 854	(19 240 625)	82 703 229
Cash and cash equivalents	42 033 011	-	42 033 011
Non-Current Assets			
Investment property	181 377 053	369 750	181 746 803
Property, plant and equipment	1 455 227 822	1 545 427	1 456 773 249
Intangible assets	1 135 137	-	1 135 137
Heritage assets	195 000	-	195 000
Other financial assets	31 525 083	-	31 525 083
Liabilities			
Current Liabilities			
Other financial liabilities	(22 810 651)	-	(22 810 651)
Finance lease obligation	(2 978 540)	-	(2 978 540)
Payables from exchange transactions	(227 625 592)	(446 685)	(228 072 277)
VAT Payable	(39 960 827)	216 732	(39 744 095)
Consumer deposits	(27 068 007)	-	(27 068 007)
Unspent conditional grants and receipts	(5 083 273)	-	(5 083 273)
Provisions	(948 670)	-	(948 670)
Non-Current Liabilities			
Other financial liabilities	(110 645 166)	-	(110 645 166)
Finance lease obligation	(3 551 484)	-	(3 551 484)
Employee benefit obligation	(81 474 678)	-	(81 474 678)
Provisions	(5 089 171)	-	(5 089 171)
Accumulated surplus	1 602 561 564	(1 518 101)	1 601 043 463

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Statement of Financial Performance 2019

R 517 904	<u>Depreciation</u>
2019/06/30	Increase in depreciation for electricity projects capitalised with incorrect amount R 61.44
2019/06/30	Change in depreciation due to maintenance cost previously not capitalised R 15 518.07
2019/06/30	Depreciation for Leased Assets due to useful life previously not reviewed capitalised R 21 471.55
2019/06/30	Depreciation for Other Assets due to useful life previously not reviewed R 118 929.41
2019/06/30	Change in depreciation due to completed project previously not capitalised R 22 687.72
2019/06/30	Change in depreciation due to Infrastructure assets useful life previously not reviewed R 341 234.39
R 24 911	<u>Loss on disposal of assets</u>
2019/06/30	Increase in loss on disposal due to disposed vehicle written off with incorrect amount R 24 910.59
R -248 085	<u>Repairs and Maintenance</u>
2018/06/30	Reduction in maintenance account due to maintenance cost previously not capitalised -R 248 085
R- 1,359,204	<u>Contracted Services</u>
2019/06/30	Reduction in contracted services due to a project previously not recognised -R 1 359 203.37
R -167	<u>Rent of facilities</u>
2019/06/30	Change in rent of facilities due to miscalculation and cancelled lease not previously accounted for -R 167.
R-15 934 436	<u>Fines</u>
2019/06/30	Increase in fines due to traffic fines withdrawn in previous years not allocated correctly -R 15 934 436.
R - 2 440 506	<u>General expenses</u>
2019/06/30	Reduction in debt impairment -water- due to the VAT portion taken out -R 1 866 929.
2019/06/30	Reduction in debt impairment - sewer- due to the VAT portion taken out -R 573 577.

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Statement of Financial Performance

	2019 previously restated	Adjustment of errors	2019 Restated
Revenue			
Revenue from exchange transactions			
Service charges	486 306 412	-	486 306 412
Rental of facilities and equipment	2 132 853	(157)	2 132 696
Interest received (trading)	17 826 053	-	17 826 053
Agency services	9 254 073	-	9 254 073
Licenses and permits	1 020 674	-	1 020 674
Other income	27 601 807	-	27 601 807
Interest received - investment	9 615 814	-	9 615 814
Taxation revenue			
Property rates	109 160 412	-	109 160 412
Property rates - penalties imposed	10 022 809	-	10 022 809
Transfer revenue			
Government grants & subsidies	432 583 934	-	432 583 934
Public contributions and donations	110 987	-	110 987
Fines	32 189 439	(15 934 436)	16 255 003
Expenditure			
Employee related cost	(295 232 455)	-	(295 232 455)
Remuneration of councillors	(26 136 302)	-	(26 136 302)
Depreciation and amortisation	(127 724 087)	(517 904)	(128 241 991)
Impairment of assets	(4 399 272)	-	(4 399 272)
Finance costs	(11 973 760)	-	(11 973 760)
Debt impairment	(123 718 683)	-	(123 718 683)
Collection costs	(600 321)	-	(600 321)
Repairs and maintenance	(42 157 906)	248 085	(41 909 821)
Bulk purchases	(348 443 869)	-	(348 443 869)
Contracted services	(51 435 443)	1 359 204	(50 076 239)
Transfer and subsidies	(50 297 361)	-	(50 297 361)
General expenses	(120 614 820)	2 440 506	(118 174 314)
Loss on disposal/write off of property, plant and equipment	(2 201 607)	(24 911)	(2 226 518)
Surplus/(loss) for the year	(67 110 619)	(12 429 613)	(79 540 232)

* See Note 82

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Cash Flow Statement	2019 previously stated	Adjustments	2019 restated
Cash flows from operating activities			
Receipts			
Taxation revenue	89 038 362	30 144 859	119 183 221
Grants	473 029 212	8 276 715	481 305 927
Interest income	9 615 814	-	9 615 814
Sale of goods and services	582 170 590	(40 751 249)	541 419 341
Payments			
Employee costs	(323 715 602)	-	(323 715 602)
Suppliers	(711 701 925)	4 277 889	(707 424 036)
Finance cost	(10 961 350)	-	(10 961 350)
Transfer of property, plant and equipment	64 509 821	-	64 509 821
Cash flows from investing activities			
Purchase to property, plant and equipment	(167 691 723)	(1 948 215)	(169 639 938)
Proceeds from sale of property, plant and equipment	876 890	1	876 891
Purchase of other intangible assets	(154 938)	-	(154 938)
Increase from sale of financial assets	(4 637 684)	-	(4 637 684)
Cash flow from financing activities			
Repayment of other financial liabilities	30 274 238	-	30 274 238
Finance lease payments	4 090 641	-	4 090 641
	34 542 346	-	34 542 346
Fruitless & wasteful expenditure	2019 previously stated	Adjustment of errors	2019 restated
Opening balance	13 524 312	(162 136)	13 362 176
Fruitless and wasteful expenditure current year	9 975 974	-	9 975 974
Fruitless and wasteful expenditure written off (2015/2016)	(943 172)	-	(943 172)
Fruitless and wasteful expenditure written off (2016/2017)	(6 060 039)	-	(6 060 039)
Fruitless and wasteful expenditure written off (2017/2018)	(4 868 884)	-	(4 868 884)
	11 628 191	(162 136)	11 466 055
Fruitless expenditure awaiting further investigation/write off			
Irregular expenditure	2019 Previously stated	Adjustment of errors	2018 Restated
Opening balance	104 827 940	(1 579 030)	103 248 910
Irregular expenditure current year	7 438 134	4 388 975	11 827 109
Irregular expenditure written off (2015/2016)	(39 460 428)	-	(39 460 428)
Irregular expenditure written off (2016/2017)	(27 178 275)	1 701 231	(25 477 044)
Irregular expenditure written off (2017/2018)	(12 252 915)	-	(12 252 915)
Irregular expenditure written off (2016/2017)	(547 657)	-	(547 657)
	32 826 799	4 511 176	37 337 975
Irregular expenditure awaiting further investigation/write off			

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The following amounts included in consumer debtors were reclassified to comply with the requirements of GRAP 108.

* See Note 62

Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Financial Statements

Figures in Rand

Reclassification of consumer debtors

	2019 Previously Stated	Reclassification and prior period corrections	2019 Restated
Note 8. Consumer debtors			
Net balances			
Rates	19 240 625	(19 240 625)	-
Electricity	71 083 671	-	71 083 671
Refuse	11 619 558	-	11 619 558
	101 943 854	(19 240 625)	82 703 229

Note 5. Receivables from non-exchange transactions

Net balances			
Fines	36 833 080	(16 006 516)	20 826 564
Consumer debtors- rates	-	19 240 625	19 240 625
	36 833 080	3 234 109	40 067 189

Prior period errors

Commitments	2019 previously stated	Adjustment of errors	2019 Restated
Authorised expenditure			
Already contracted but not provided for			
Property, plant and equipment	128 705 576	6 567 750	135 273 326
Other financial assets	100 165 025	15 006 826	115 171 851
Total capital commitments			
Already contracted for but not provided for	228 870 601	21 574 576	250 445 177

The expenditure will be financed by

	2019 previously stated	Adjustment of errors	2019 Restated
Internal advances	86 216 461	15 006 826	101 223 287
MIG Grants	128 705 576	6 567 750	135 273 326
DBSA Loan	13 948 564	-	13 948 564
	228 870 601	21 574 576	250 445 177

* See Note 52

Appendix A

Schedule of external loans as at 30 June 2020

	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020
	Rand	Rand	Rand	Rand
Annuity loans				
DBSA	30 466 889	-	1 990 816	28 476 073
ABSA	16 848 525	-	1 666 173	15 182 352
DBSA	40 000 000	-	726 450	39 271 550
DBSA	-	20 000 000	379 057	19 620 943
ACCRUED INTEREST	1 140 403	-	398 446	741 957
	88 455 817	20 000 000	5 162 942	103 292 875
Loan stock				
STANDARD BANK	30 000 000	-	-	30 000 000
DEVELOPMENT BANK OF SA	15 000 000	-	15 000 000	-
	45 000 000	-	15 000 000	30 000 000
Total external loans				
Annuity loans	88 455 817	20 000 000	5 162 942	103 292 875
Loan stock	45 000 000	-	15 000 000	30 000 000
	133 455 817	20 000 000	20 162 942	133 292 875

Appendix B

Analysis of property, plant and equipment as at 30 June 2020 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals/ Write-offs Rand	Transfers Rand	Revaluations Rand	Other charges, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals/ Write-offs Rand	Transfers Rand	Depreciation Rand	Impairment/loss Rand	Closing Balance Rand	Cumulative value Rand
Cost and buildings														
Land	117 540 197	-	-	-	-	-	117 540 197	-	-	-	-	-	-	117 540 197
Infrastructure	117 640 197	-	-	-	-	-	117 640 197	-	-	-	-	-	-	117 640 197
Roads	1 249 501 589	7 672 544	(3 107 630)	-	-	-	2 289 176 503	(703 601 714)	1 519 575	-	(42 367 698)	(3 143 757)	(747 405 476)	604 751 257
Storm water	10 457 812	-	-	-	-	-	10 457 812	(23 162 401)	-	-	-	(107 078)	(135 337 038)	24 050 671
Buildings	1 512 092	1 381 035	-	-	-	-	2 893 127	(1 280 725)	-	-	-	(3 111 562)	(1 451 478)	1 227 858
Reclamation	25 121 107	-	(1 028 210)	-	-	-	24 092 897	(8 540 835)	357 120	-	(808 807)	(88 774)	(7 031 283)	17 052 034
Reinsurer	49 142 757	-	-	-	-	-	49 142 757	(14 381 456)	-	-	-	(1 303 414)	(43 834 478)	30 247 885
Assets	245 555	-	-	-	-	-	245 555	(152 055)	-	-	-	(25 149)	-	427 775
Plant and Machinery	233 655	-	(185 170)	-	-	-	48 485	(277 514)	154 157	-	(4 584)	-	(34 602)	16 355
Tools	247 170	-	(347 170)	-	-	-	-	(277 514)	300 633	-	(71 119)	-	3	-
Water	150 000	-	-	-	-	-	150 000	(98 054)	-	-	(11 840)	-	(118 454)	78 145
Electricity	885 431 159	31 247 274	(4 628 501)	-	-	-	882 049 932	(428 276 855)	3 741 289	-	(37 754 746)	(1 374 862)	(445 268 357)	493 223 425
Land and buildings	20 282 094	-	-	-	-	-	20 282 094	(9 081 425)	-	-	(253 581)	-	(4 514 265)	11 677 310
	2 941 625 024	92 100 643	(8 348 933)	-	-	-	2 965 376 734	(1 177 103 987)	3 858 751	-	(82 718 341)	(3 238 673)	(1 261 301 280)	1 443 377 637
Community Assets														
Parks & gardens	9 136 193	-	-	-	-	-	9 136 193	(2 121 418)	-	-	(230 014)	-	(2 150 432)	5 885 759
Recreation	3 130 719	10 000	-	-	-	-	3 140 719	(238 637)	-	-	(144 614)	-	(383 251)	2 857 468
Roads	21 847 010	-	-	-	-	-	21 847 010	(9 411 261)	-	-	(1 065 083)	-	(10 476 344)	11 370 665
Municipal offices	15 312 807	-	-	-	-	-	15 312 807	(8 255 208)	-	-	(146 734)	-	(9 461 942)	6 850 865
Libraries	7 542 588	-	-	-	-	-	7 542 588	(1 061 781)	-	-	(20 173)	-	(1 081 954)	6 460 634
Traffic lights	32 000	-	-	-	-	-	32 000	(58 027)	-	-	(668)	-	(26 095)	3 425
Monuments	1 307 543	-	-	-	-	-	1 307 543	(230 385)	-	-	(3 710)	-	(335 094)	1 072 558
Alleys	128 555	-	-	-	-	-	128 555	(110 188)	-	-	(4 133)	-	(124 321)	4 234
Natural and built-up	50 294 038	-	-	-	-	-	50 294 038	(17 787 286)	-	-	(4 017 130)	-	(21 804 416)	28 489 622
Open spaces	3 354 000	-	-	-	-	-	3 354 000	-	-	-	-	-	-	3 354 000
Water and sewerage	40 419 805	-	-	-	-	-	40 419 805	(1 489 417)	-	-	(50 017)	-	(1 539 434)	38 880 368
Parks	20 452 015	-	(7 517)	-	-	-	20 444 498	(5 287 226)	2 442	-	(1 518 578)	-	(4 793 352)	15 651 146
	153 542 708	10 000	(2 815)	-	-	-	150 739 893	(43 232 478)	2 442	-	(5 336 703)	-	(50 213 293)	148 760 644

Appendix B

Analysis of property, plant and equipment as at 30 June 2020 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals/Write-offs Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Revaluation Write-offs Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Cumulative Rand
Work in Progress														
Work in Progress	69 864 691	124 229 461	(846 000)	(54 935 003)	-	-	152 222 229	-	-	-	-	-	-	152 222 229
Finished asset	69 864 691	124 229 461	(846 000)	(54 935 003)	-	-	152 222 229	-	-	-	-	-	-	152 222 229
Leased assets	10 928 414	4 536 733	(389 561)	-	-	-	10 984 982	(8 294 551)	27 035	-	(5 865 663)	-	(11 981 525)	9 199 663
Other assets	14 678 414	4 536 733	(389 561)	-	-	-	18 814 582	(8 364 351)	97 070	-	(1 931 593)	-	(11 981 525)	8 168 663
Computer equipment	3 334 100	63 113	(2 674 773)	-	-	-	3 768 599	(8 627 524)	2 481 414	-	(562 288)	-	(4 203 099)	1 008 599
Furniture & fittings	1 405 895	183 637	(773 012)	-	-	-	2 588 213	(1 747 628)	835 667	-	(156 240)	-	(1 518 079)	798 234
Office equipment	7 574 013	23 245	(890 977)	-	-	-	1 203 280	(2 109 048)	863 333	-	(118 611)	-	(1 945 484)	318 704
Plant and machinery	9 351 124	1 438 814	(1 521 220)	-	-	-	9 720 413	(6 188 275)	1 511 610	-	(1 071 416)	-	(5 632 083)	4 141 442
Leasehold equipment	215 385	-	(62 477)	-	-	-	150 813	(227 491)	42 437	-	(2 131)	-	(467 548)	3 058
Patents	30 725	-	-	-	-	-	30 725	(10 547)	-	-	(1 336)	-	(28 083)	10 635
Buildings	6 358 535	-	(107 702)	-	-	-	3 230 834	(8 053 656)	1 17 918	-	(229 240)	-	(8 551 981)	2 079 072
Leasehold improvements	82 651	1 762 641	(37 150)	-	-	-	1 803 374	(54 738)	31 561	-	(262 191)	-	(338 045)	1 865 275
Motor vehicles	1 070 616	-	-	-	-	-	1 070 616	(29 501)	-	-	(3 164)	-	(38 466)	2 763
Motor vehicles	41 159 396	-	(174)	-	-	-	41 159 396	(11 791 614)	145	-	(1 825 117)	-	(15 436 388)	5 510 242
Motor vehicles	1 268 521	7 245	(420 021)	-	-	-	852 445	(2 293 080)	130 110	-	(7 931)	-	(825 301)	2 344
	71 464 143	2 478 330	(1 624 424)	-	-	-	68 978 089	(15 122 639)	2 876 436	-	(4 179 501)	-	(65 462 664)	18 332 945

Appendix B

Analysis of property, plant and equipment as at 30 June 2020 Cost/Revaluation Accumulated depreciation

	Opening Balance R/m	Additions R/m	Disposals/ Withdrawals R/m	Transfers R/m	Revaluations R/m	Other changes, net/amounts R/m	Closing Balance R/m	Opening Balance R/m	Depreciation R/m	Transfers R/m	Closing Balance R/m	Cumulative Balance R/m
Total property, plant and equipment												
Land and buildings	117 540 197	-	-	-	-	-	117 540 197	-	-	-	-	117 540 197
Intangible assets	2 337 275 071	32 200 043	(8 340 999)	-	-	-	2 361 134 115	1 777 706 341	5 858 719	-	(1 234 673)	1 544 728 083
Community Assets	185 842 762	80 000	(2 816)	-	-	-	185 919 946	(41 777 875)	2 442	-	(6 269 707)	143 900 654
Work in Progress	53 894 881	134 258 401	(2 470 096)	(34 035 003)	-	-	149 648 183	-	-	-	-	149 648 183
Leased assets	15 938 414	4 636 720	(383 581)	-	-	-	16 191 553	(8 354 311)	271 035	-	(11 981 923)	8 139 665
Other assets	21 428 143	3 478 930	(6 000 414)	-	-	-	18 906 659	(23 122 833)	5 848 476	-	(4 179 351)	15 525 842
	2 740 889 488	174 135 135	(13 479 478)	(34 035 003)	-	-	2 867 510 142	(2 583 610 166)	11 981 764	-	(17 785 031)	2 660 725 705
Intangible assets												
Mapungubue & Council Assets	159 000	5 935	-	-	-	-	164 935	-	-	-	-	164 935
	159 000	5 935	-	-	-	-	164 935	-	-	-	-	164 935
Intangible assets												
Computer - software	3 763 040	202 341	-	-	-	-	3 965 381	(2 624 632)	-	-	(1 341 068)	2 644 319
	3 763 040	202 341	-	-	-	-	3 965 381	(2 624 632)	-	-	(1 341 068)	2 644 319
Investment properties												
Investment property	181 748 863	-	(110 000)	-	(50 000)	-	181 588 863	-	-	-	-	181 588 863
	181 748 863	-	(110 000)	-	(50 000)	-	181 588 863	-	-	-	-	181 588 863
Total												
Land and buildings	117 540 197	-	-	-	-	-	117 540 197	-	-	-	-	117 540 197
Intangible assets	2 337 275 071	32 200 043	(8 340 999)	-	-	-	2 361 134 115	1 777 706 341	5 858 719	-	(1 234 673)	1 544 728 083
Community Assets	185 842 762	80 000	(2 816)	-	-	-	185 919 946	(41 777 875)	2 442	-	(6 269 707)	143 900 654
Work in Progress	53 894 881	134 258 401	(2 470 096)	(34 035 003)	-	-	149 648 183	-	-	-	-	149 648 183
Leased assets	15 938 414	4 636 720	(383 581)	-	-	-	16 191 553	(8 354 311)	271 035	-	(11 981 923)	8 139 665
Other assets	21 428 143	3 478 930	(6 000 414)	-	-	-	18 906 659	(23 122 833)	5 848 476	-	(4 179 351)	15 525 842
Intangible assets	159 000	5 935	-	-	-	-	164 935	-	-	-	-	164 935
Mapungubue & Council Assets	159 000	5 935	-	-	-	-	164 935	-	-	-	-	164 935
Investment properties	181 748 863	-	(110 000)	-	(50 000)	-	181 588 863	-	-	-	-	181 588 863
	2 806 291 277	174 135 135	(13 479 478)	(34 035 003)	(50 000)	-	2 867 510 142	(2 583 610 166)	11 981 764	-	(17 785 031)	2 660 725 705

Appendix B
June 2020

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation Accumulated depreciation

Land and buildings

Opening Balance Sheet	Adjustment	Revaluation	Transfers	Restatements	Other changes, movements	Closing Balance Sheet	Opening Balance Sheet	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance Sheet	Cumulative value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
117 540 197	-	-	-	-	-	117 540 197	-	-	-	-	-	-	117 540 197
117 540 197	-	-	-	-	-	117 540 197	-	-	-	-	-	-	117 540 197
Instructions													
Roads	1 243 855 813	3 845 460	-	-	-	1 249 801 273	(531 013 335)	-	-	(71 440 220)	(534 143)	(703 583 714)	543 514 849
Storm-water	81 528 112	128 001	-	-	-	83 437 212	(31 643 715)	-	-	(2 643 045)	-	(33 186 400)	77 722 511
Buildings	1 012 032	-	-	-	-	1 012 032	(713 032)	-	-	(300 000)	-	(8 233 224)	819 800
Waterworks	28 038 415	-	(310 348)	-	-	28 148 063	(17 030 010)	503 854	-	(7 562 844)	(251 643)	(8 548 603)	10 573 304
Refuse collection	41 143 737	-	-	-	-	41 143 737	(17 030 010)	-	-	(7 562 844)	-	(14 291 438)	31 761 279
Asphalt	845 505	-	-	-	-	845 505	(145 232)	-	-	(40 837)	-	(182 095)	463 410
Paving and machinery	203 025	-	-	-	-	203 025	(120 170)	-	-	(30 012)	-	(31 243)	22 472
Trucks	347 170	-	-	-	-	347 170	(254 282)	-	-	(31 114)	-	(27 513)	69 657
Other	125 000	-	-	-	-	125 000	(50 054)	-	-	-	-	(33 034)	93 945
Vehicle	854 971 141	35 153 884	(10 023 017)	-	-	879 901 908	(278 067 747)	8 484 044	-	(35 850 477)	(3 463 484)	(442 578 038)	471 543 129
Land and buildings	30 827 625	-	-	-	-	30 827 625	(8 750 602)	-	-	(233 242)	-	(9 081 424)	21 806 071
3 233 139 931	35 853 215	(11 604 241)	-	-	-	3 257 388 905	(1 311 312 380)	8 077 938	-	(113 451 724)	(3 463 484)	(1 772 385 366)	1 105 848 033
Community Assets													
Parks & gardens	8 136 136	-	-	-	-	8 136 136	(7 003 080)	-	-	(48 850)	-	(2 121 418)	7 014 776
Swimming	3 130 219	-	-	-	-	3 130 219	(110 470)	-	-	(140 407)	-	(568 837)	2 411 342
Roads	10 402 760	3 703 247	-	-	-	14 106 007	(7 003 080)	-	-	(1 304 734)	-	(3 411 381)	10 273 525
Municipal offices	18 212 802	-	-	-	-	18 212 802	(8 910 611)	-	-	(348 670)	-	(8 264 526)	7 044 554
Stadium	7 543 608	-	-	-	-	7 543 608	(1 004 025)	-	-	(47 107)	-	(1 051 782)	6 491 170
Public works	62 000	-	-	-	-	62 000	(36 703)	-	-	(1 305)	-	(58 030)	3 502
Libraries	1 307 543	-	-	-	-	1 307 543	(711 234)	-	-	(7 435)	-	(283 283)	1 022 274
Asphalt	128 085	-	-	-	-	128 085	(112 050)	-	-	(4 132)	-	(116 189)	12 201
Recreational facilities	10 525 034	25 248 504	-	-	-	35 773 538	(13 888 137)	-	-	(1 059 563)	-	(17 787 295)	77 027 143
Demolition	3 304 000	-	-	-	-	3 304 000	(1 482 417)	-	-	-	-	(3 483 467)	8 800 333
Road and upgrade	10 419 009	-	-	-	-	10 419 009	(1 352 142)	-	-	(1 042 082)	-	(3 297 238)	25 10 334
Buildings	30 408 632	-	-	-	-	30 408 632	(1 352 142)	-	-	-	-	-	29 056 490
170 299 641	28 451 501	-	-	-	-	198 751 142	(12 548 038)	-	-	(7 034 961)	-	(43 232 981)	135 518 164

Appendix B

Analysis of property, plant and equipment as at 30 June 2019 Cost/Revaluation Accumulated depreciation

	Opening balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, non-monetary Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Work in Progress														
Work in Progress	30 531 726	87 037 887	-	(64 078 821)	-	-	53 490 792	-	-	-	-	-	-	53 490 792
Leased assets	28 511 726	87 832 587	-	(64 588 875)	-	-	51 755 438	-	-	-	-	-	-	51 755 438
Construction	9 855 104	7 440 838	(15 377)	-	-	-	15 278 415	(5 437 747)	36 903	-	(2 018 551)	-	(8 168 355)	7 588 054
Other assets	9 893 104	7 440 838	(15 327)	-	-	-	15 318 415	(5 437 747)	36 868	-	(2 019 031)	-	(8 168 355)	7 548 154
Computer equipment	8 169 059	147 568	(15 408)	-	-	-	8 301 219	(9 982 517)	6 103	-	(267 175)	-	(6 637 354)	1 675 635
Furniture and fittings	2 211 544	288 025	-	-	-	-	2 499 569	(1 057 684)	-	-	(85 873)	-	(1 743 558)	755 911
Office equipment	2 288 070	280 618	(12 875)	-	-	-	2 555 813	(2 014 577)	2 457	-	(145 014)	-	(2 016 949)	539 261
Plant and machinery	7 880 571	7 301 478	-	-	-	-	15 182 049	(5 194 776)	-	-	(85 085)	-	(5 279 861)	9 902 188
Health equipment	233 280	-	-	-	-	-	233 280	(224 736)	-	-	(5 544)	-	(127 488)	105 792
Tools	30 118	-	-	-	-	-	30 118	(17 011)	-	-	(5 103)	-	(6 914)	13 107
Buildings	5 358 556	-	-	-	-	-	5 358 556	(2 810 235)	-	-	(242 718)	-	(3 052 973)	2 305 583
Refurbishments	52 351	-	-	-	-	-	52 351	(12 534)	-	-	(2 175)	-	(54 758)	2 112
Warehouses	100 048	-	-	-	-	-	100 048	(86 841)	-	-	(4 380)	-	(12 909)	11 759
Motor vehicles	7 780 877	2 181 715	(385 283)	-	-	-	9 577 309	(21 838 035)	87 102	-	(1 848 107)	-	(13 799 034)	5 757 374
Motorbikes	1 245 075	31 285	-	-	-	-	1 276 360	(1 244 027)	-	-	(21 338)	-	(1 265 365)	11 035
Intangible	65 377 282	8 685 140	(414 685)	-	-	-	73 647 737	(38 978 054)	43 752	-	(6 192 116)	-	(41 127 418)	32 520 279

Appendix B

Analysis of property, plant and equipment as at 30 June 2019	
Cost/Revaluation	Accumulated depreciation

Opening Balance Rand	Acquisitions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, non-currents Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
157 543 157	-	-	-	-	-	117 540 157	1 085 562 565	9 077 693	-	-	-	1 076 484 872	1 076 484 872
2 235 196 654	38 338 255	(11 894 249)	-	-	-	2 261 640 660	(36 558 070)	-	-	(113 461 254)	(4 300 272)	1 177 105 648	1 056 218 833
170 500 594	22 451 193	-	-	-	-	192 951 787	135 942 745	-	-	(7 054 601)	-	443 232 581	125 819 744
36 021 725	67 613 807	-	(54 500 521)	-	-	49 135 011	33 834 892	-	-	-	-	-	51 969 903
6 233 104	7 460 856	(45 927)	-	-	-	16 748 033	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
2 647 533 474	101 039 644	(12 064 152)	(54 655 821)	-	-	2 746 389 435	(246 355 917)	9 160 743	-	(127 619 722)	(4 356 573)	1 983 345 038	1 435 773 244
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
188 088	-	-	-	-	-	188 088	-	-	-	-	-	-	188 088
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	1 173 837
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
161 746 603	-	-	-	-	-	161 746 603	-	-	-	-	-	-	161 746 603
117 540 157	30 520 245	(11 604 247)	-	-	-	136 456 155	(1 600 700 800)	5 337 066	-	-	(4 780 272)	1 177 105 648	1 076 484 872
2 241 160 661	79 479 501	-	-	-	-	2 320 640 162	(38 168 070)	-	-	(7 054 601)	-	(43 232 581)	1 256 119 744
30 521 726	67 632 967	-	(54 599 071)	-	-	43 555 622	40 604 893	-	-	-	-	-	55 864 885
8 034 104	2 440 100	(45 325)	-	-	-	10 428 879	(5 480 743)	38 283	-	(2 919 037)	-	(8 354 381)	7 664 034
65 227 032	6 083 145	(414 500)	-	-	-	71 495 677	(30 025 854)	47 732	-	(4 193 800)	-	(55 127 678)	16 725 314
155 000	-	-	-	-	-	155 000	-	-	-	-	-	-	155 000
3 575 500	154 633	-	-	-	-	3 730 133	(2 001 634)	-	-	(833 285)	-	(9 374 983)	5 125 127
3 185 945	134 938	-	-	-	-	3 320 883	(2 601 834)	-	-	(823 283)	-	(2 434 983)	

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2020 Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Write Offs Rand	Transfers Rand	Reductions Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Write Offs Rand	Transfers Rand	Depreciation Rand	Impairment/Loss Rand	Closing Balance Rand	Cumulative value Rand
Municipality														
Mayor's Office	2 001 858	5 568	(43 255)	-	-	-	1 963 171	(5 154 430)	43 332	-	(205 351)	-	(1 235 237)	627 457
Municipal Manager	871 377	20 154	(24 378)	-	-	-	867 153	(611 324)	26 625	-	(191 905)	-	(448 551)	228 259
Planning and Development	4 969 857	38 251	(370 927)	-	-	-	3 937 181	(2 680 883)	677 123	-	(375 651)	-	(2 379 211)	1 277 789
Technical Services	4 581 488	20 755	(11 354 514)	-	-	-	2 787 729	(3 384 723)	1 351 290	-	(183 041)	-	(2 243 844)	522 186
Corporate Projects	4 125 462	1 536 146	(8 153 215)	-	-	-	5 508 393	(3 044 709)	847 544	-	(535 381)	-	(2 732 546)	3 301 018
Engineering Services	1 375 730 854	9 900 438	(2 232 842)	-	-	-	1 382 408 450	(7 133 540)	1 375 731	-	(1 135 355)	(3 272 002)	(2 235 633 021)	251 572 418
Community Services	269 510 882	610 459	(2 345 352)	-	-	-	269 775 989	(70 277 449)	2 031 022	-	(2 381 108)	(24 003)	(77 778 133)	165 626 625
Electrical Engineering	215 411 203	25 145 858	(5 318 093)	-	-	-	235 238 968	(400 579 486)	5 029 058	-	(35 041 351)	(2 933 795)	(653 564 302)	4 741 121 151
Highway Assets	3 760 040	202 341	-	-	-	-	3 962 381	(2 626 555)	-	-	(273 103)	-	(3 217 512)	744 454
Land	117 540 187	-	-	-	-	-	117 540 187	-	-	-	-	-	-	117 540 187
Fixed Assets	15 528 416	4 525 140	(281 567)	-	-	-	15 771 989	(8 254 381)	271 035	-	(5 853 581)	-	-	8 589 555
Investment Properties	751 716 000	-	(110 000)	-	(50 000)	-	691 606 000	-	-	-	-	-	(11 001 000)	4 588 555
Work in Progress	53 854 851	154 223 442	(166 000)	(34 008 000)	-	-	151 963 293	-	-	-	-	-	-	151 963 293
Total	7 625 231 277	174 764 234	(16 468 670)	(34 038 000)	(50 000)	-	7 608 379 638	(5 286 441 093)	15 831 204	-	(83 529 641)	(5 235 875)	(1 262 874 100)	1 653 303 538
Total	7 625 231 277	174 764 234	(16 468 670)	(34 038 000)	(50 000)	-	7 608 379 638	(5 286 441 093)	15 831 204	-	(83 529 641)	(5 235 875)	(1 262 874 100)	1 653 303 538

Appendix D

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income	Actual	Surplus		Actual Income	Actual	Surplus
Rand	Expenditure	(Deficit)		Rand	Expenditure	(Deficit)
	Rand	Rand			Rand	Rand
Municipality						
-	39 482 116	(39 482 116)	Executive & Council/Mayor and Council	298 001	40 898 518	(40 898 517)
513 466 196	263 849 785	249 616 411	Finance & Admin/Finance	586 399 123	255 168 282	331 230 841
231 506	23 203 233	(22 969 724)	Planning and Development/Economic Development/Plan	355 706	23 082 300	(23 636 594)
212 899	9 103 661	(8 890 762)	Health/Clinics	76 001	10 842 819	(10 566 738)
37 723	8 981 276	(8 943 553)	Comm. & Social/Libraries and archives	32 515	9 640 004	(9 607 489)
2 724 298	13 788 555	(11 064 257)	Housing	1 866 536	14 302 726	(12 436 190)
15 701 194	18 209 434	(2 508 240)	Public Safety/Police	24 771 045	20 783 685	3 987 360
124 949	23 016 098	(22 891 149)	Sport and Recreation	303 340	22 566 204	(22 262 864)
38 744 931	95 579 161	(56 834 230)	Waste Water Management/Sewerage	38 877 367	85 998 451	(47 121 084)
91 176 346	181 739 541	(90 563 195)	Road Transport/Roads	91 181 355	130 349 874	(39 168 519)
-	-	-	Water/Water Distribution	-	4 287 082	(4 287 082)
460 468 534	514 416 045	(53 947 511)	Electricity/Electricity Distribution	550 295 282	526 856 529	23 438 753
1 121 890 674	1 201 430 906	(79 540 232)		1 274 427 231	1 143 442 974	130 984 257

Appendix E(1)

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Current year 2020 Act. Bal.	Current year 2020 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	114 748 520	104 000 000	10 748 520	10,3	The increase is due to supplementary valuation and new development.
Service charges	557 909 399	608 202 657	(50 293 258)	(8,3)	The lower than expected revenue on service charges is due to lower than anticipated revenue billed for electricity.
Property rates - penalties imposed	10 883 012	8 400 000	2 483 012	29,6	The huge increase is due to the late payments of debtors accounts and increment on debtors book.
Rental of facilities and equipment	1 152 233	1 972 100	(819 867)	(41,6)	Most of the facilities were stopped from rented in the 3rd quarter due to implementation of COVID-19 regulations.
Interest received - outstanding receivables	19 234 067	17 000 000	2 234 067	13,1	The increase on interest on outstanding debtors is due to the late payment on debtors account.
Income from agency services	9 118 576	53 684 291	(44 545 715)	(83,0)	The budgeted amount includes the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue.
Fines, penalties and forfeits	25 415 330	38 501 136	(13 085 806)	(34,0)	The disclosure of fines has been done in accordance with GRAP and resulting in total fines issues disclosed.
Licences and permits	1 231 992	817 000	414 992	50,8	The variance is due to higher than expected revenue from the issuing of licences and permits especially building plans and registration approval, clearance certificates issued and town planning application fees.
Government grants and subsidies	498 182 710	522 181 730	(23 999 020)	(4,6)	The budgeted amount includes the revenue for VAT and administration fees which is regarded as own revenue.
Public contributions and donations	80 000	-	80 000	100,0	The Municipality received a donation of Fencing around Minitzani in Abor Park.
Other income	27 795 527	6 968 123	20 827 404	298,9	The higher than anticipated income is due to grant administration fees and VAT on grant transferred from grants and subsidies.
Interest received - external investments	8 677 865	4 301 000	4 376 865	101,8	The increase is as a result of short-term investment made during the year, annual capitalization of interest on investment and interest earned on bank account.
	1 274 427 231	1 368 008 037	(91 580 806)	(6,7)	
Expenses					
Employee cost	(314 771 685)	(331 256 909)	16 485 224	(5,0)	The underspending is due to vacant posts that were not filled immediately during the year.
Remuneration of councillors	(26 976 534)	(28 302 991)	1 326 457	(4,7)	
Depreciation and impairment	(98 378 043)	(123 010 209)	24 632 166	(20,0)	The budget includes depreciation amount of roads transferred to RAL and projects under work in progress.
Impairments	(9 236 673)	(6 989 791)	(2 246 882)	32,1	Physical damaged of electricity and roads infrastructure.
Finance costs	(14 906 809)	(14 658 314)	(248 495)	1,7	
Debt impairment	(54 511 001)	(53 057 400)	(1 453 601)	2,7	
Collection costs	(658 501)	(470 000)	(188 501)	40,1	The new contract of debt collectors was appointment during October 2019.
Repairs and maintenance	(25 805 606)	(41 167 074)	15 561 468	(37,8)	The lower than anticipated spending is due to the under expenditure on the repairs and maintenance of council owned vehicle general, meters and electricity distribution network.
Bulk purchases	(392 274 281)	(403 000 000)	10 725 719	(2,7)	
Contracted Services	(58 906 462)	(66 844 519)	7 938 057	(11,6)	The lower than anticipated spending is due to the under expenditure on contracted services security.
Grants and subsidies paid	(34 772 798)	(39 810 730)	5 037 932	(12,7)	The low spend is due to INEP grant projects underspending.
General Expenses: provincial share vehicle licence fee	(108 786 414)	(140 297 088)	31 510 674	(22,5)	The lower than anticipated spending is due to the vehicle licensing costs transferred to department of transport.

Appendix E(1)

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Current year 2019 Act. Bal.	Current year 2019 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Other revenue and costs	(1 139 784 807)	(1 248 665 025)	108 880 218	(8,7)
Gain or loss on disposal of assets	(3 608 166)	2 500 000	(6 108 166)	(244,3) Loss on disposal due to assets written off and donation made to the private party.
Fair value adjustments	(50 000)	-	(50 000)	- Change in value due to supplementary valuation received during the year.
	(122 526)	2 500 000	(2 622 526)	(104,9)
Net surplus/ (deficit) for the year	130 984 258	119 843 012	11 141 246	9,3

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2020

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Finance & Admin/Finance	4 835 083	200 000	(4 635 083)	(2 318)	The overspending is due to the acquisition of IT equipments through finance lease.
Health/Clinics	55 870	-	(55 870)	-	The overspending is due to the construction of a wall for grease and oil trays and traps.
Housing	6 550 940	6 000 000	(550 940)	(9)	
Sport and Recreation	229 850	1 800 000	1 570 150	87	The low spending on sport and recreation was due to the disruption of procurement processes due to covid-19
Waste Water Management/Sewerage	21 214	85 000	63 786	75	The low spending is due to the acquisition of mobile Air Quality monitoring station.
Road Transport/Roads	81 771 438	95 225 090	13 453 652	14	The low spending is due to the roads that were constructed on behalf of RAL and are transferred to RAL as grants and subsidies.
Electricity /Electricity Distribution	47 257 959	50 847 675	3 589 716	7	
	140 722 334	154 157 765	13 435 431	9	

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2020

2020/2019										2019/2018			
Original Budget	Budget Adjustments (i.e. add and subtract of the MTRM)	Uncertainty (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 59 of MTRM	Expenditure to be recovered	Revised Actual Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Revenue - Standard													
Municipal governance and administration	310 058 007	1 261 118	311 319 125	555 487 133		\$5 978 038	111 %	111 %				618 468 197	
Electricity and water	1 000	208 000	209 100	298 000		11 100	100 %	27 091 %				312 118 000	
Budget and business	510 038 630		510 038 630	565 168 633		54 981 663	111 %	111 %				747 391	
Corporate services	297	1 081 118	1 081 373	1 408 180		117 517	125 %	644 631 %				31 205 002	
Community and public safety	41 032 127		41 032 127	27 650 587		(14 041 146)	65 %	61 %				37 731	
Community and social services	25 705		25 705	303 810		(257 456)	54 %	34 %				124 145	
Spots and recreation	30 001 000		30 001 000	31 771 843		(13 728 000)	85 %	61 %				2 734 735	
Public safety	2 451 225		2 451 225	1 698 036		(558 689)	70 %	58 %				212 850	
Housing	13 000		13 000	70 000		(57 000)	55 %	62 %				51 410 000	
Health	146 244 416		146 244 416	95 607 093		(50 737 466)	67 %	62 %				323 506	
Economic and environmental services												91 170 207	
Planning and development	500 125		500 125	835 706		335 581	168 %	120 %				498 115 485	
Road transport	147 244 201		147 244 201	34 181 235		(50 263 036)	23 %	20 %				479 460 077	
Trading services	669 401 457	7 910 814	677 312 271	583 172 884		(51 809 812)	86 %	80 %				33 744 031	
Waste management	62 470 037		62 470 037	38 577 387		(24 392 290)	62 %	62 %					
Total Revenue - Standard	1 899 170 207	9 331 730	1 908 501 937	1 874 457 330		(34 044 607)	97 %	94 %				1 121 690 624	

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2020

2020/2019

2019/2018

Original Budget	Budget Adjustments (to, to and of the NEMA)	Unvoted (to, Council approved policy)	Final Budget	Actual Outcome	Unvoted Expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unvoted expenditure	Expenditure authorized in terms of section 23 of NEMA	Balance to be recovered	Revised Actual Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional												
Governance and administration	252 894 430	(42 354 357)	-	210 540 073	194 822 170	-	14 289 939	103 %	69 %	-	-	304 718 292
Revenue and council	25 328 287	(3 063 436)	1 750 000	43 884 851	40 898 598	-	(3 087 453)	93 %	92 %	-	-	35 493 116
Budget and treasury office	111 850 551	(9 143 313)	33 642 475	136 419 714	132 756 111	-	(3 663 603)	97 %	115 %	-	-	149 885 382
Corporate services	135 564 522	(17 492)	(1 335 000)	137 212 030	120 955 341	-	(16 256 689)	88 %	81 %	-	-	92 501 642
Community and public safety	434 349 884	(42 388 352)	(48 283 842)	88 678 212	75 444 985	-	(13 233 227)	85 %	84 %	-	-	23 169 886
Emergency/ third sector services	10 057 576	(274 818)	(5 000)	9 777 757	9 640 054	-	(137 703)	98 %	96 %	-	-	8 861 276
Open and recreation	22 120 106	(1 757 738)	-	20 362 368	22 555 204	-	(2 192 836)	111 %	80 %	-	-	22 618 000
Recreation	32 500 324	(8 888 168)	(28 888 168)	21 612 156	22 783 033	-	(1 170 877)	99 %	36 %	-	-	13 758 626
Housing	18 045 102	(1 101 770)	(30 000)	17 913 332	15 814 193	-	(2 099 139)	88 %	85 %	-	-	18 528 434
Health	10 544 845	(374 353)	-	10 170 492	10 642 815	-	472 323	104 %	101 %	-	-	9 505 604
Economic and environmental services	214 215 519	(13 883 318)	(974 600)	199 357 599	194 138 813	-	(5 218 786)	97 %	70 %	-	-	216 022 218
Planning and development	24 183 723	(2 006 400)	(5 000 000)	17 177 323	19 718 764	-	(2 541 441)	115 %	82 %	-	-	15 926 812
Road transport	180 147 290	(19 896 752)	(7 684 201)	152 566 337	150 470 349	-	(2 095 988)	99 %	80 %	-	-	150 123 405
Trading services	849 666 126	(27 371 151)	(14 378 411)	807 916 564	819 138 810	-	12 222 246	102 %	91 %	-	-	819 331 667
Waste management	581 014 378	(13 662 941)	(2 916 000)	564 435 437	551 660 529	-	(12 774 908)	98 %	95 %	-	-	514 410 895
Waste water management	6 765 120	(147 682)	-	6 617 438	6 250 002	-	(367 436)	94 %	75 %	-	-	4 016 253
Water supply	86 858 157	(13 352 495)	950 000	74 455 662	80 360 209	-	5 904 547	107 %	103 %	-	-	32 337 360
Other	-	-	-	-	3 418 237	-	3 418 237	- %	- %	-	-	-
Capital and treasury office	-	-	-	-	3 000 167	-	3 000 167	- %	- %	-	-	-
Corporate services	-	-	-	-	20 000	-	20 000	- %	- %	-	-	2 701 807
Total Expenditure - functional	1 313 894 679	(65 231 354)	-	1 248 663 325	1 141 642 913	-	(107 020 412)	92 %	87 %	-	-	1 301 418 936
Surplus/(Deficit) for the year	45 279 138	74 583 884	-	119 863 022	139 854 263	-	19 991 241	109 %	289 %	-	-	(79 548 931)

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2020

2020/2019											2019/2018		
Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Variance (i.e. Council approved policy)	Final Budget	Actual Outcome	Threshold expenditure	Variance of Actual Outcome against Threshold Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Variance to be accounted for	Actual Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	Rand	Rand	Rand	Rand	
Revenue by Vote													
Vote 1 - Municipal Manager	1 270	298 000	299 270	268 000	(1 220)	100 %	24 247 %					-	
Vote 2 - Planning and Economic Development	300 120	-	300 120	635 700	635 700	112 %	112 %					293 305	
Vote 3 - Financial Services	510 000 000	-	510 000 000	584 000 000	584 000 000	115 %	111 %					512 718 805	
Vote 4 - Corporate Services	120	1 083 430	1 083 550	1 450 450	1 450 450	129 %	1 195 132 %					747 391	
Vote 5 - Community Services	154 000 000	-	154 000 000	22 543 250	22 543 250	80 %	80 %					20 547 576	
Vote 6 - Electrical Engineering Services	657 311 000	7 520 914	664 831 914	500 766 202	500 766 202	75 %	74 985 333 %					458 408 304	
Vote 7 - Engineering Services	90 774 335	-	90 774 335	78 738 804	78 738 804	87 %	86 %					31 674 762	
Total Revenue by Vote	1 358 476 235	8 331 730	1 366 807 965	1 247 481 251	1 247 481 251	83 %	84 %					1 121 800 834	
Expenditure by Vote to be appropriated													
Vote 1 - Municipal Manager	76 105 221	1 708 600	1 784 705	77 813 826	77 813 826	(900 400)	101 %	103 %	-	-	-	37 035 196	
Vote 2 - Planning and Economic Development	31 408 883	(2 707 107)	6 589 291	35 290 977	35 290 977	(900 400)	101 %	114 %	-	-	-	30 495 621	
Vote 3 - Financial Services	111 000 000	(3 104 707)	34 013 475	136 415 274	136 415 274	(40 246)	100 %	102 %	-	-	-	1 105 885 611	
Vote 4 - Corporate Services	63 000 000	(6 643 000)	(6 643 000)	64 427 707	64 427 707	58 706 707	94 %	94 %	-	-	-	36 691 315	
Vote 5 - Community Services	203 000 000	(25 014 437)	(25 014 437)	209 451 661	209 451 661	364 635 405	105 %	105 %	-	-	-	152 588 115	
Vote 6 - Electrical Engineering Services	507 014 079	(15 082 934)	(15 082 934)	513 475 810	513 475 810	626 461 730	104 %	104 %	-	-	-	314 119 310	
Vote 7 - Engineering Services	90 774 335	(15 776 442)	(15 776 442)	100 410 246	100 410 246	9 635 911	110 %	107 %	-	-	-	172 765 324	
Vote 8 - Engineering Services	90 774 335	(15 776 442)	(15 776 442)	100 410 246	100 410 246	9 635 911	110 %	107 %	-	-	-	172 765 324	
Total Expenditure by Vote	1 312 094 978	(15 211 355)	-	1 296 883 623	1 296 883 623	(16 212 033)	97 %	97 %	-	-	-	1 201 410 607	
Surplus/(Deficit) for the year	46 381 257	8 543 085	54 924 342	100 000 000	100 000 000	11 141 248	105 %	282 %	-	-	-	76 610 222	

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

2020/2019						2019/2018						
Original Budget	Budget Amendment (L.L. 228 and 411 of 2019)	Unvoted (L.L. Council approved policy)	Final Budget	Actual Outcome	Unsettled expenditure	Variance of Actual Outcome against Adjusted Budget Rm2	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Report Unauthorized expenditure	Expenditure authorized in Council motion 23 n) M1000	Balance to be recovered	Revised Audited Response
Rm2	Rm2	Rm2	Rm2	Rm2	Rm2	Rm2	%	%	Rm2	Rm2	Rm2	Rm2
Revenue By Source												
Property rate	104 000 000	-	104 000 000	114 741 525	-	10 741 525	110 %	100 %	-	-	-	102 180 412
Property value - penalties and called on charge	8 450 000	-	8 400 000	10 845 012	-	2 445 012	129 %	120 %	-	-	-	10 722 609
Service charges - electricity revenue	577 321 000	(1 000 000)	576 321 000	623 424 225	-	47 103 225	108 %	91 %	-	-	-	648 863 521
Service charges - refuse removal	33 771 000	-	33 771 000	33 017 063	-	(753 937)	98 %	98 %	-	-	-	31 062 322
Service charges - other	4 100 000	-	4 100 000	5 614 142	-	1 514 142	137 %	131 %	-	-	-	3 119 965
Rental of facilities and equipment	1 013 100	-	1 013 100	1 157 200	-	144 100	114 %	108 %	-	-	-	2 132 898
Interest earned - external investments	4 301 000	-	4 301 000	8 672 589	-	4 371 589	202 %	207 %	-	-	-	8 515 614
Interest earned - internal investments	17 000 000	-	17 000 000	18 754 007	-	1 754 007	110 %	118 %	-	-	-	17 525 003
Other income and fees	33 001 188	-	33 001 188	26 415 330	-	(6 585 858)	80 %	86 %	-	-	-	1 040 814
Licence and permit	611 000	-	611 000	1 751 890	-	1 140 890	287 %	151 %	-	-	-	6 354 073
Agency services	53 664 291	-	53 664 291	9 318 518	-	(44 345 773)	17 %	17 %	-	-	-	884 902 214
Transit and advertising	411 367 000	5 314 730	416 681 730	410 287 333	-	(6 394 397)	98 %	99 %	-	-	-	37 073 861
Other revenue	6 948 128	-	6 948 128	27 735 847	-	20 787 719	400 %	297 %	-	-	-	12 281 811
Grant on deposit of RPF	2 000 000	-	2 000 000	-	-	(2 000 000)	- %	- %	-	-	-	-
Total Revenue (including capital income and expenditure)	1 264 933 937	(668 270)	1 264 265 667	1 538 423 065	-	273 157 398	121 %	91 %	-	-	-	1 577 285 416

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

2020/2019

2019/2018

Original Budget	Budget Adjustments (in the 2019/2018)	Whereas, the Council approved policy	Final Budget	Actual Outcome	Unauthorised expenditure	Value of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure within the 2019/2018	Balance to be approved	Revised Actual Outcome
Head	Head	Head	Head	Head	Head	Head	Head	Head	Head	Head	Head	Head
Employee related costs	387,713,945	(26,458,647)	-	361,255,298	354,774,642	(19,480,657)	98%	98%	-	-	-	354,774,642
Services provided to Council	28,307,825	-	-	28,307,825	28,307,825	(1,376,487)	99%	99%	-	-	-	28,307,825
Other expenditure	74,893,005	(19,543,091)	-	55,349,914	54,614,005	(1,493,600)	99%	99%	-	-	-	54,614,005
Capital expenditure	1,341,113,513	(4,113,512)	-	1,336,999,999	1,336,999,999	(2,336,999)	99%	99%	-	-	-	1,336,999,999
Finance charges	34,893,514	-	-	34,893,514	34,893,514	-	100%	100%	-	-	-	34,893,514
Other income	411,000,000	-	-	411,000,000	411,000,000	-	100%	100%	-	-	-	411,000,000
Other materials	25,941,843	(4,000,000)	(1,315,710)	20,626,133	20,626,133	(1,661,467)	99%	99%	-	-	-	20,626,133
Capital expenditure	71,095,027	(1,128,364)	(9,921,000)	60,045,663	60,045,663	(7,733,661)	99%	99%	-	-	-	60,045,663
Transfer and subsidies	28,021,512	3,815,815	(150,000)	31,687,327	31,687,327	-	100%	100%	-	-	-	31,687,327
Other expenditure	1,357,449,476	(1,128,124)	7,440,700	1,364,361,052	1,364,361,052	(3,600,107)	99%	99%	-	-	-	1,364,361,052
Total expenditure	1,315,334,979	(26,458,647)	-	1,288,876,332	1,288,876,332	(10,458,647)	99%	99%	-	-	-	1,288,876,332
Surplus/(Deficit)	(46,911,873)	54,583,684	-	7,671,811	7,671,811	27,338,058	206%	206%	-	-	-	7,671,811
Transfer to/(from) capital	54,269,000	10,000,000	-	64,269,000	64,269,000	(10,000,000)	94%	94%	-	-	-	64,269,000
Surplus/(Deficit) after capital transfers & contributions	45,779,238	74,583,684	-	120,362,922	120,362,922	37,338,058	285%	285%	-	-	-	120,362,922
Surplus/(Deficit) after taxation	45,779,238	74,583,684	-	120,362,922	120,362,922	37,338,058	285%	285%	-	-	-	120,362,922
Surplus/(Deficit) attributable to council policy	45,779,238	74,583,684	-	120,362,922	120,362,922	37,338,058	285%	285%	-	-	-	120,362,922
Surplus/(Deficit) for the year	45,779,238	74,583,684	-	120,362,922	120,362,922	37,338,058	285%	285%	-	-	-	120,362,922

Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2020

	2020/2019							2019/2018					
	Original Budget	Budget Adjustments (U.S. dollar and 31 of the US\$M)	Vote/Item (U.S. dollar and 31 of the US\$M)	Final Budget	Actual Outcome	Unauthorized expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of original Budget	Reported expenditure	Expenditure authorized in terms of section 32 of MTA	Balance to be recovered	Retained Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote													
Mult-year expenditure													
Single-year expenditure													
Vote 1 - Municipal Manager	1 300 000	(1 300 000)	-	-	-	-	-	- %	- %	-	-	-	8 600
Vote 2 - Planning and Economic Development	1 000 000	(1 000 000)	-	-	-	-	-	- %	- %	-	-	-	13 501
Vote 3 - Financial Services	-	200 000	-	200 000	20 100	-	(179 900)	45 %	- %	-	-	-	3 519 150
Vote 4 - Corporate Services	1 835 000	-	-	1 835 000	4 710 000	-	4 710 000	- %	- %	-	-	-	1 200 161
Vote 5 - Community Services	35 000 000	10 541 000	-	45 541 000	2 893 124	-	(43 647 876)	130 %	130 %	-	-	-	576 302
Vote 6 - Technical Engineering Services	-	-	-	-	47 257 858	-	47 257 858	93 %	135 %	-	-	-	38 511 000
Vote 8 - Engineering Services	102 699 000	(1 474 700)	-	101 224 300	81 658 369	-	(19 565 931)	80 %	81 %	-	-	-	56 265 274
Capital single-year expenditure subtotal	140 484 000	11 672 300	-	152 156 300	140 722 334	-	(11 433 966)	91 %	91 %	-	-	-	62 447 938
Total Capital Expenditure - Vote	140 484 000	11 672 300	-	152 156 300	140 722 334	-	(11 433 966)	91 %	91 %	-	-	-	62 447 938

Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2020

2020/2019

2019/2018

Original Budget	Budget Adjustments (L1, L1E and L2) of the L1-100	Minorum L1, L2, Council approved policy	Final Budget	Actual Outcomes	Unauthorised expenditure	Variance of Actual Outcomes against Approved Budget Rand	Actual Outcomes as % of Final Budget	Actual Outcomes as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 33 of MFA	Balance to be recovered	Revised Final Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard												
Governance and administration	1 993 038	(1 200 000)	-	200 950	4 338 977	-	4 338 977	2 465 %	266 %	-	-	11 545 455
Executive and support	1 900 000	(2 000 000)	-	-	-	-	-	- %	- %	-	-	8000
Buildings and library office	-	200 000	-	200 000	159 305	-	(822)	100 %	- %	-	-	3 018 725
Corporate services	-	-	-	-	4 113 880	-	4 113 880	- %	- %	-	-	7 000 181
Community and public safety	6 053 000	1 430 000	300 000	7 600 000	6 816 444	-	(783 556)	88 %	125 %	-	-	1 683 684
Sport and recreation	1 200 000	-	-	1 000 000	1 250 000	-	(200 000)	12 %	13 %	-	-	340 000
Health	2 270 000	2 490 000	300 000	5 060 000	6 550 000	-	1 490 000	109 %	293 %	-	-	1 000 213
Ecological and environmental	-	-	-	-	36 500	-	36 500	- %	- %	-	-	100 000
Planning and development	10 441 455	(4 624 750)	(200 000)	56 126 150	61 164 454	-	(5 038 304)	88 %	81 %	-	-	64 310 282
Transport and infrastructure	1 000 000	(1 000 000)	-	-	-	-	-	- %	- %	-	-	13 250
Planning and development	28 440 000	(1 204 750)	(300 000)	26 935 250	31 800 000	-	(4 864 750)	85 %	82 %	-	-	34 106 101
Trading services	34 016 000	43 847 675	-	60 863 675	47 378 173	-	(13 485 502)	62 %	135 %	-	-	14 006 137
Education	36 000 000	15 947 675	-	51 947 675	47 280 160	-	(4 667 515)	91 %	130 %	-	-	38 000 000
Water services	55 000	-	-	55 000	21 214	-	(33 786)	39 %	25 %	-	-	15 131
Total Capital Expenditure - Standard	142 484 836	11 672 915	-	164 157 765	160 732 334	-	(3 425 431)	94 %	28 %	-	-	183 447 836
Funded by												
National Government	69 249 600	10 000 000	-	79 249 600	77 604 317	-	(1 645 283)	75 %	87 %	-	-	41 063 481
Provincial Government	-	-	-	-	36 800	-	36 800	- %	- %	-	-	100 000
Other sources and grants	-	-	-	-	10 000 000	-	10 000 000	- %	- %	-	-	-
Transfers recognised - capital	69 249 600	10 000 000	-	79 249 600	77 641 117	-	(1 608 483)	84 %	91 %	-	-	41 163 481
Public contributions & donations	20 000 000	12 347 875	-	32 347 875	32 400 000	-	52 125	- %	100 %	-	-	100 000
Borrowing	20 000 000	11 174 125	-	31 174 125	31 174 125	-	-	- %	- %	-	-	31 174 125
Internally generated funds	-	-	-	-	20 000 000	-	20 000 000	- %	- %	-	-	20 000 000
Total Capital Funding	142 484 836	11 672 915	-	164 157 765	160 732 334	-	(3 425 431)	94 %	28 %	-	-	183 447 836

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2020

	2020/2019					2019		
	Original Budget	Budget Adjustments (i.e. 626 and 831 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities								
Taxation revenue	101 182 000	-	101 182 000	98 177 552	(7 982 448)	97 %	97 %	80 098 352
Sale of goods and services	628 772 651	(10 298 000)	618 014 651	571 818 450	(46 096 201)	93 %	91 %	582 176 580
Grants	505 890 000	11 237 801	517 087 801	513 444 298	(3 643 503)	99 %	102 %	473 028 212
Interest	14 910 700	-	14 910 700	8 677 866	(6 232 835)	58 %	58 %	9 815 814
Employee costs	(357 715 346)	26 468 443	(331 246 903)	(347 084 687)	(15 837 784)	105 %	97 %	(323 715 052)
Suppliers	(738 424 735)	31 138 606	(707 286 129)	(687 840 332)	39 444 787	94 %	90 %	(713 701 024)
Finance costs	(14 658 314)	-	(14 658 314)	(13 571 396)	1 086 918	93 %	93 %	(10 061 350)
Other cash item	-	-	-	34 038 003	34 038 003	- %	- %	64 559 621
Net cash flow from/used operating activities	138 384 816	58 877 650	197 972 666	192 751 541	(5 221 025)	97 %	130 %	171 984 922
Cash flow from investing activities								
Additions property, plant and equipment	(137 084 850)	(15 683 000)	(152 967 850)	(174 056 980)	(21 089 130)	114 %	127 %	(187 891 720)
Proceeds on disposal of assets	2 500 000	-	2 500 000	-	(2 500 000)	- %	- %	576 890
Purchase of intangible assets	-	-	-	(5 958)	(5 958)	- %	- %	-
Additions to intangible assets	-	-	-	(202 341)	(202 341)	- %	- %	-
Proceeds on disposal of property, plant and equipment	-	-	-	(1)	(1)	- %	- %	(164 938)
Increase in financial assets	(3 711 461)	(100 000)	(4 211 461)	10 411 684	14 623 145	(347)%	(281)%	(4 631 694)
Net cash flow from/used investing activities	(138 296 311)	(16 363 000)	(154 879 311)	(164 362 611)	(9 673 300)	106 %	110 %	(171 807 456)
Cash flow from financing activities								
Repayment of other financial liabilities	(3 815 228)	-	(3 815 228)	(182 842)	3 632 386	4 %	4 %	30 271 238
Finance lease payments	(1 500 000)	-	(1 500 000)	(53 232)	1 446 768	4 %	4 %	4 080 641
Net cash flow from/used financing activities	(5 315 228)	-	(5 315 228)	(216 074)	5 099 054	4 %	4 %	34 351 879
Net increase/(decrease) in cash held	(4 218 823)	42 194 650	37 975 827	28 482 756	(9 796 271)	74 %	(688)%	34 642 346
Cash/cash equivalents at the year begin:	11 457 490	30 575 521	42 033 011	42 633 011		100,00 %	988,85 %	7 490 685
Cash/cash equivalents at the year end:	7 240 667	72 770 171	80 011 038	70 215 767	(9 796 271)	88 %	970 %	42 033 011